

AQUA

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION
Aqua Illinois
1000 S. Schuyler Avenue
Kankakee, IL 60901

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January 14, 2013

ORIGINAL

Elizabeth A. Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Report

Re: Docket No. 12-0467 – Moecherville Water System Notification of Accounting Entry

Dear Ms. Rolando:

Per the Findings and Ordering Paragraphs III., (13) of the Order in Docket No. 12-0467, Aqua Illinois, Inc. has recorded the acquisition of the Moecherville Water System. I have attached a copy of the entry to record the acquisition. If you have any further questions, I can be reached at (815) 614-2033.

Sincerely,



Paul Hanley
Controller
Aqua Illinois, Inc.

CHIEF CLERK'S OFFICE
2013 JAN 16 1 P 1:02
ILLINOIS COMMERCE
COMMISSION

CC: William Marr, Manager of Commission's Water Engineering Program

Journal Status	GL N	46-00 Moecherville Acquisition	Fiscal Year	2012	Period	12
Posting Date	Released	Hold Code	Hold Removal Operator	Operator	bakerb	
Reference	12/31/12	Transaction Date	01/04/13	Reverse No	Reverse Pd	Journal Book
Line	Account	Activity	Ref	SC Rvs	Debit	Credit
1	900	104000-0000 M92506	005	JE		1,400,000.00
Utility Plant Purchased/Sol Moecherville Acquisition						
2	900	104000-0000 M92506	005	JE		44,655.90
Utility Plant Purchased/Sol Moecherville Acquisition						
3	900	114000-0000		JE		24,739.30
U Plant Acq Adj Moecherville Acquisition						
4	360	300000-0000		JE	59,250.00	
PPE-Utility Plant in Servic Moecherville Acquisition						
5	360	300000-0000		JE	19,750.00	
PPE-Utility Plant in Servic Moecherville Acquisition.						
6	360	300000-0000		JE	1,508,050.23	
PPE-Utility Plant in Servic Moecherville Acquisition.						
7	360	300000-0000		JE	749,884.00	
PPE-Utility Plant in Servic Moecherville Acquisition						
8	360	300000-0000		JE	1,600,886.17	
PPE-Utility Plant in Servic Moecherville Acquisition						
9	360	300000-0000		JE	204,144.30	
PPE-Utility Plant in Servic Moecherville Acquisition						
10	360	300000-0000		JE	682,473.50	
PPE-Utility Plant in Servic Moecherville Acquisition						
11	360	300000-0000		JE	76,843.00	
PPE-Utility Plant in Servic Moecherville Acquisition						
12	360	300000-0000		JE	65,000.00	
PPE-Utility Plant in Servic Moecherville Acquisition						
13	360	108000-0000		JE		805,968.97
AD-General Moecherville Acquisition						

BB 1/4/13
RW 1/9/13

Journal	GL N	46-00 Moecherville Acquisition	Fiscal Year	2012	Period	12	(Continued)
Status	Released	Hold Code	Hold Removal Operator	Operator	bakerb		
Posting Date	12/31/12	Transaction Date	01/04/13	Reverse No	Reverse Pd		
Reference		Document			Journal Book		

Line	Account	Activity	Ref	SC Rvs	Debit	Credit
14	360	271307-0000 M92506	842	JE		3,212,223.00
		CIAC-CASH CUSTOMER DEPOSITS Moecherville Acquisition				
15	360	272000-0000		JE	521,305.97	
		Accum Amort of CIAC Moecherville Acquisition				

*** Totals For Journal entry N-	46-00 , Source Code JE	Debits	Credits	Difference
	Base	5,487,587.17	5,487,587.17	0.00
	Reverse	0.00	0.00	0.00
	Entered	5,487,587.17	5,487,587.17	0.00
	Unit	0.00	0.00	0.00

*** Totals For Journal entry N-	46-00	Debits	Credits	Difference
	Base	5,487,587.17	5,487,587.17	0.00
	Reverse	0.00	0.00	0.00
	Entered	5,487,587.17	5,487,587.17	0.00
	Unit	0.00	0.00	0.00

***** Report Totals *****

Totals For Report, source code JE		Debits	Credits	Difference
Base		5,487,587.17	5,487,587.17	0.00
Reverse		0.00	0.00	0.00
Entered		5,487,587.17	5,487,587.17	0.00
Unit		0.00	0.00	0.00
*** Totals For Report		Debits	Credits	Difference
Base		5,487,587.17	5,487,587.17	0.00
Reverse		0.00	0.00	0.00
Entered		5,487,587.17	5,487,587.17	0.00
Unit		0.00	0.00	0.00

AQUA ILLINOIS, INC
 AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
 ACCOUNTING ENTRIES

Journal Entry # 1 To record funding.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
104	Utility Plant Purchased or Sold	1,400,000	
104	Legal & Original Cost Study - Closing Costs	44,656	
131	Cash		(1,444,656)

Journal Entry # 2 To record purchase at closing.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
104	Utility Plant Purchased or Sold		(1,400,000)
104	Legal - Closing Costs		(44,656)
114	Utility Plant Acquisition Adjustment	(24,739)	
300	Utility Plant In Service	4,966,281	
108	Accum. Depr.-Utility Plant		(805,969)
271	Contributions in Aid of Construction		(3,212,223)
272	Accumulated Amortization of CIAC	521,306	
		<u>5,462,848</u>	<u>(5,462,848)</u>

Journal Entry # 3 - To record the annually acquisition adjustment over 30 years.

<u>Account</u>	<u>Description</u>		
421	Non Utility Income - Other	(825)	
115	Accum. Amort. Of Utility Plant Acq. Adj.		825

AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000

WATER

	2012 Current	2013 Year 1	2014 Year 2	2015 Year 3	2016 Year 4
Beginning Investment (purchase price)	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
Additional Capital	\$ 76,766	\$ 88,016	\$ 99,266	\$ 110,516	\$ 121,766
Total Investment	\$ 1,476,766	\$ 1,488,016	\$ 1,499,266	\$ 1,510,516	\$ 1,521,766
Customers / Growth	370	370	370	370	370
	Annual/Cust	Annual/Cust	Annual/Cust	Annual/Cust	Annual/Cust
Residential Rate (Annual)	\$735	\$735	\$735	\$735	\$735
(Monthly)	\$61	\$61	\$61	\$61	\$61
Revenues:					
Residential	255,694	271,809	271,809	271,809	271,809
Amortization of Acquisition Adjustment	-	825	825	825	825
Net Revenues	\$ 255,694	\$ 272,633	\$ 272,633	\$ 272,633	\$ 272,633
Expenses:					
Operation and Maintenance	\$ 129,025	\$ 140,185	\$ 144,227	\$ 148,390	\$ 152,679
Other Taxes - 0.8% of rate base / Property / Payroll	3,328	3,428	3,531	3,637	3,746
Depreciation	2.8% 49,507	49,507	49,824	50,142	50,459
Subtotal	181,859	193,120	197,582	202,169	206,883
Income Before Interest and Income Taxes	73,834	79,514	75,051	70,465	65,750
Interest (50% of purchase price + capital)	5.0% -	37,200	37,482	37,763	38,044
Income Taxes (Fed and State 41.175%) (state 9.5%)	41.175% 30,400	17,400	15,500	13,500	11,400
Net Gain /(Loss)	\$ 43,434	\$ 24,913	\$ 22,070	\$ 19,202	\$ 16,306
Rate Base	\$ 1,469,395	\$ 1,431,139	\$ 1,392,564	\$ 1,353,673	\$ 1,314,464
Operating Income	\$ 43,434	\$ 62,114	\$ 59,551	\$ 56,965	\$ 54,350
Return on Rate Base	2.96%	4.34%	4.28%	4.21%	4.13%
Return on Equity (Based on 56% of Rate Base)	5.28%	3.11%	2.83%	2.53%	2.22%
Return on Investment	2.94%	1.87%	1.47%	1.27%	1.07%
OPERATIONS AND MAINTENANCE:					
Labor	\$ 42,339	\$ 6,500	\$ 6,895	\$ 6,896	\$ 7,103
Employee Benefits	40% -	2,600	2,678	2,758	2,841
Purchased Water / Sewer Treatment	-	-	-	-	-
Sludge	-	-	-	-	-
Power	40.00 14,642	14,800	15,244	15,701	16,172
Chemicals	17.00 6,113	6,290	6,479	6,673	6,873
Management Fees - Corporate	27.00 -	9,990	10,290	10,598	10,916
Management Fees - States	-	-	-	-	-
Cust Operations-ACO Allocation	11.50 2,334	4,255	4,383	4,514	4,650
Cust Operations - Direct	8.25 2,854	3,053	3,144	3,238	3,336
Outside Serv - Engineering	-	-	-	-	-
Outside Serv - Accounting	1.50 -	555	572	589	606
Outside Serv - Legal	-	-	-	-	-
Outside Serv - Lab test	5.00 1,819	1,850	1,906	1,963	2,022
Outside Serv - IT	-	-	-	-	-
Outside Serv - Operation	-	36,000	37,080	38,192	39,338
Outside Services - Maintenance	32.50 23,838	12,025	12,386	12,757	13,140
Outside Serv - Other	-	-	-	-	-
Leases	1.00 -	370	381	393	404
Supplies	32.50 -	12,025	12,386	12,757	13,140
Transportation	8.25 99	3,053	3,144	3,238	3,336
Insurance	10.25 9,188	3,793	3,906	4,023	4,144
Bad Debt Expense	2.0% 4,641	5,453	5,453	5,453	5,453
Other Expense	47.50 5,744	17,575	18,102	18,545	19,205
Total O&M	\$ 129,025	\$ 140,185	\$ 144,227	\$ 148,390	\$ 152,679

AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000 WATER

Average Residential Bill

<u>Division:</u>	<u>A/U</u>	<u>Billing Units</u>	<u>Gallons</u>	<u>Gallons</u> <u>Equals Billing Units</u>	<u>Customer</u> <u>Charge</u>	<u>Rates</u> <u>1000 Gallons</u>	<u>Usage</u> <u>1000 Gallons</u>	<u>Public Fire</u>	<u>Subtotal</u>	<u>Gross Revenue Tax (ICC)</u> <u>Rate %</u>	<u>Charge</u>	<u>TOTAL</u> <u>BILL</u>
Moecherville		1000 Gallons	5000	5.00	\$20.58 *	\$6.5394 *	\$32.70	\$7.88 *	\$61.16	0.10%	\$0.06	\$61.22

* Denotes change from petition

AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000 WATER

ITEM	2012	2013	2014	2015	2016	TOTAL
Purchase Price	1,400,000					1,400,000
Closing Costs	44,656					44,656
9% Interest on outstanding purchase price for 102 days (July 30th - Nov 9th)	32,110					32,110
Meters @ \$150 per meter (or Other)		11,250	11,250	11,250	11,250	45,000
						0
						0
						0
						0
						0
						0
						0
						0
TOTAL CAPITAL ADDITIONS	1,476,766	11,250	11,250	11,250	11,250	1,521,766
TOTAL ACCUMULATED	1,476,766	1,488,016	1,499,266	1,510,516	1,521,766	

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
CLOSING COSTS

<u>Date</u>	<u>Vendor</u>		<u>Current Year</u>
July 2012	Spesia, Ayers & Ardaugh	Pre-Auction Legal	\$ 6,225.00
July 2012	Rooney, Ripple & Ratnaswamy	Legal	745.00
August 2012	Rooney, Ripple & Ratnaswamy	Legal	9,763.50
August 2012	Akhras Associates, Inc.	Moecherville CAD Files	240.00
September 2012	Spesia, Ayers & Ardaugh	Legal	\$ 150.00
September 2012	GPM Associates	Public Fire Charge	800.00
September 2012	Rooney, Ripple & Ratnaswamy	Legal	4,338.50
October 2012	Rooney, Ripple & Ratnaswamy	Legal	3,729.40
October 2012	Spesia, Ayers & Ardaugh	Closing	4,818.00
November 2012	First American	Title	4,545.00
November 2012	First American	Title	560.00
November 2012	Rooney, Ripple & Ratnaswamy	Closing	4,039.00
November 2012	Spesia, Ayers & Ardaugh	Closing	4,702.50
	OTHER		-
			<u>\$ 44,655.90</u>

Accounting Unit	900	IL Corporate Office PAU	Resp	Level	0090-0031-0900		
Id By Posting	Transaction Description	Jrnl Ent	SC	Debit	Credit	Balance	
-----				-----	-----	-----	
Account	104000-0000	Utility Plant Purchased/Sold			Begin Balance	0.00	
08 AP	08/31/12	29141SPESIA, AYERS & ARDAU	N 10 AD	6,225.00			
08 AP	08/31/12	38465ROONEY RIPPLE & RATNA	N 12 AD	745.00			
09 AP	09/30/12	41585AKHRAS ASSOC INC	N 3 AD	240.00			
09 CB	09/30/12	Moecherville Acq-	N 20 CL	140,780.00			
00 AP	10/31/12	618GPM ASSOCIATES, INC.	I 2 AD	800.00			
00 AP	10/31/12	29141SPESIA, AYERS & ARDAU	I 2 AD	150.00			
00 AP	10/31/12	38465ROONEY RIPPLE & RATNA	N 4 AD	9,763.50			
00 CM	10/31/12	Acquisition - Moecherville	I 100021 TW	1,259,220.00			
01 CB	11/27/12	FIRST AMERICAN	N 7 CL	4,545.00			
01 AP	11/30/12	38465ROONEY RIPPLE & RATNA	N 9 AD	4,336.50			
01 AP	11/30/12	38465ROONEY RIPPLE & RATNA	N 13 AD	3,729.40			
01 AP	11/30/12	29141SPESIA, AYERS & ARDAU	N 13 AD	4,818.00			
01 CM	11/30/12	Tri Star Estates	I 100012 TW	455,000.00			
02 AP	12/31/12	17347FIRST AMERICAN TITLE	N 11 AD	560.00			
02 AP	12/31/12	29141SPESIA, AYERS & ARDAU	N 11 AD	4,702.50			
02 GL	12/31/12	Dec. Legal Accrual	N 42 JE	4,039.00			
Total Activity Account				1,899,655.90		1,899,655.90	
104000-0000 Utility Plant Purchased/Sold				End Balance		1,899,655.90	
900 IL Corporate Office PAU				End Balance		1,899,655.90	

Company 24 Totals:	
Debit Transactions	1,899,655.90
Credit Transactions	0.00
Debit Balances	1,899,655.90
Credit Balances	0.00

(455,000.00)
 1,444,655.90
 DEPOSIT (140,780.00)
 FINAL PAYMENT (1,259,220.00)
 CLOSING COSTS \$ 44,655.90

Hanley, Paul J.

From: Denise Lemke [Denise.Lemke@R3Law.com]
Sent: Wednesday, January 02, 2013 11:32 AM
To: Hanley, Paul J.
Subject: RE: R3Law Invoices

Just November, as some of our attorney December time has not even been entered into our system yet. Did you need estimates for December time?

From: Hanley, Paul J. [mailto:PJHanley@aquaamerica.com]
Sent: Wednesday, January 02, 2013 10:09 AM
To: Denise Lemke
Subject: RE: R3Law Invoices

Hi Denise,
Are these amounts for November or December?

Paul Hanley
Controller
Aqua Illinois, Inc.
1000 S. Schuyler Ave.
Kankakee IL, 60901
Ph. (815) 614-2033 or 59033
Fax (815) 935-8809

From: Denise Lemke [mailto:Denise.Lemke@R3Law.com]
Sent: Monday, December 31, 2012 3:22 PM
To: Hanley, Paul J.
Subject: RE: R3Law Invoices

Aqua.00001 – General - \$4,039.00; and **MUECHERVILLE**
Aqua.00005 – John Oleson Complaint - \$5,566.80

Have a Happy New Year!

From: Hanley, Paul J. [mailto:PJHanley@aquaamerica.com]
Sent: Monday, December 31, 2012 12:53 PM
To: Denise Lemke
Subject: RE: R3Law Invoices

That will be fine. Thanks

Paul Hanley
Controller
Aqua Illinois, Inc.
1000 S. Schuyler Ave.
Kankakee IL, 60901
Ph. (815) 614-2033 or 59033
Fax (815) 935-8809

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
RATE BASE PROJECTION

WATER

Rate Base Projection as of 12/31/2012:

Utility Plant	\$ 4,966,281
Accumulated Depreciation	(805,969)
Net CIAC	(2,690,917)
Other	<u>-</u>

RATE BASE (ESTIMATED)

\$ 1,469,395

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHERVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
PLANT ACQUISITION ADJUSTMENT

WATER

Acquisition Adjustment Projection:

Purchase Price	\$ 1,400,000
Closing Costs	<u>44,656</u>
Cash Outflows	\$ 1,444,656
Rate Base	1,469,395
Other	<u>-</u>
Assets Purchased	<u>1,469,395</u>
Acquisition Adjustment (estimated)	<u>\$ (24,739)</u>
Years: 30 Annualized	<u>\$ (825)</u>

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHEVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
DETAIL OF UTILITY PLANT IN SERVICE
FOR THE YEARS ENDED DECEMBER 2012

<u>12/31/2012</u>					<u>Depreciation</u>			
<u>Assets</u>	<u>Acct.</u>	<u>Basis</u>	<u>Rate</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Current A/D</u>	<u>Book Value</u>	
<u>Intangible Plant</u>								
Organization	301	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Franchises & Consents	302	-	0.00%	-	-	-	-	-
<u>Source of Supply Plant</u>								
Land and Land Rights	303	59,250.00	0.00%	-	-	-	59,250.00	-
Structures and Improvements	304	-	4.17%	-	-	-	-	-
Collecting & Impounding Res.	305	-	1.50%	-	-	-	-	-
Lake, River and Other Intakes	306	-	1.47%	-	-	-	-	-
W ells and Springs	307	-	1.67%	-	-	-	-	-
Supply Mains	309	-	1.89%	-	-	-	-	-
<u>Pumping Plant</u>								
Land and Land Rights	303	-	0.00%	-	-	-	-	-
Structures and Improvements	304	-	2.27%	-	-	-	-	-
Power Generating Equipment	310	-	3.33%	-	-	-	-	-
Source of Supply & Pumping Equip	311	-	3.13%	-	-	-	-	-
Source of Supply & Pumping Equip	311.26	-	3.13%	-	-	-	-	-
Transmission & Distribution Pumpi	311.4	-	3.13%	-	-	-	-	-
<u>W ater Treatment Plant</u>								
Land and Land Rights	303	19,750.00	0.00%	-	-	-	19,750.00	-
Structures and Improvements	304	1,508,050.23	2.78%	41,923.80	199,138.03	241,061.83	1,266,988.40	-
W ater Treatment Equipment	320	-	3.57%	-	-	-	-	-
<u>Transmission & Dist. Plant</u>								
Land and Land Rights	303	-	0.00%	-	-	-	-	-
Structures and Improvements	304	-	4.17%	-	-	-	-	-
Dist. Reservoirs & Standpipes	330	749,884.00	1.67%	12,523.06	59,484.55	72,007.61	677,876.39	-
T & D Mains	331	1,600,886.17	1.89%	30,256.75	143,719.56	173,976.30	1,426,909.87	-
Services	333	204,144.30	3.33%	6,798.01	32,290.52	39,088.53	165,055.77	-
Meters	334	682,473.50	6.21%	42,381.60	201,312.62	243,694.23	438,779.27	-
Meter Installations	334	-	4.44%	-	-	-	-	-
Hydrants	335	76,843.00	3.95%	3,035.30	14,417.67	17,452.97	59,390.03	-
Other Plant & Misc. Equipment	339	-	5.56%	-	-	-	-	-

AQUA ILLINOIS, INC.
 AQUA ILLINOIS - MOECHEVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
 DETAIL OF UTILITY PLANT IN SERVICE
 FOR THE YEARS ENDED DECEMBER 2012

<u>12/31/2012</u>							
<u>Assets</u>	<u>Acct.</u>	<u>Basis</u>	<u>Rate</u>	<u>Current Year</u>	<u>Depreciation Prior Years</u>	<u>Current A/D</u>	<u>Book Value</u>
<u>General Plant</u>							
Land and Land Rights	303	-	0.00%	-	-	-	-
Structures and Improvements	304	-	4.00%	-	-	-	-
Laboratory Equipment	344	-	5.00%	-	-	-	-
Office Furniture	340	-	4.74%	-	-	-	-
Personal Computers	340	-	12.50%	-	-	-	-
PC Software	340	-	20.00%	-	-	-	-
MainFrame Computers	340	-	12.50%	-	-	-	-
MainFrame Software	340	-	12.50%	-	-	-	-
Other Machinery & Equipment	340	65,000.00	5.00%	3,250.00	15,437.50	18,687.50	46,312.50
Stores Equipment	342	-	3.28%	-	-	-	-
Power Equipment	345	-	5.00%	-	-	-	-
Communication Equipment	346	-	12.50%	-	-	-	-
Miscellaneous Equipment	347	-	5.56%	-	-	-	-
Transportation Equipment	341	-	10.77%	-	-	-	-
Tools, Shop and Garage Equip.	343	-	7.31%	-	-	-	-
Other Tangible Plant	348	-	3.33%	-	-	-	-
Fiscal Year Ending 12/31/2012		\$ 4,966,281		\$ 140,169	\$ 665,800	\$ 805,969	\$ 4,160,312

AQUA ILLINOIS, INC.
 AQUA ILLINOIS - MOECHEVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
 DETAIL OF CONTRIBUTIONS IN AID OF CONSTRUCTION
 FOR THE YEARS ENDED DECEMBER 2012

<u>Contributed Property</u>	<u>Basis</u>	<u>Rate</u>	<u>Amortization</u>		<u>Current A/D</u>	<u>Book Value</u>
			<u>Current Year</u>	<u>Prior Years</u>		
Kane County CDBG	\$ (472,000)	2.82%	\$ (13,322)	\$ (63,278)	\$ (76,600)	\$ (395,400)
Rural Development Grant	\$ (1,400,000)	2.82%	\$ (39,514)	\$ (187,690)	\$ (227,204)	\$ (1,172,796)
USDA Loan *	\$ (1,340,223)	2.82%	\$ (37,827)	\$ (179,676)	\$ (217,502)	\$ (1,122,721)
TOTAL CIAC AS OF 2012	\$ (3,212,223)		\$ (90,662)	\$ (430,644)	\$ (521,306)	\$ (2,690,917)

*Original loan with USDA less purchase price and interest. (\$2,778,000 - \$1,400,000 - \$37,777)

CDBG = Community Development Block Grants

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHEVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
PROPOSED DEPRECIATION RATES

		<u>Water Rates</u>
<u>Intangible Plant</u>		
301	Organization	0.00%
302	Franchises & Consents	0.00%
<u>Source of Supply Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.17%
305	Collecting & Impounding Res.	1.50%
306	Lake, River and Other Intakes	1.47%
307	W ells and Springs	1.67%
309	Supply Mains	1.89%
<u>Pumping Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	2.27%
310	Power Generating Equipment	3.33%
311	Source of Supply & Pumping Equip.	3.13%
311	Source of Supply & Pumping Equip. - Hydraulic	3.13%
311	Transmission & Distribution Pumping Equip.	3.13%
<u>Water Treatment Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	2.78%
320	W ater Treatment Equipment	3.57%
<u>Transmission & Dist. Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.17%
330	Dist. Reservoirs & Standpipes	1.67%
331	T & D Mains	1.89%
333	Services	3.33%
334	Meters	6.21%
334	Meter Instalations	4.44%
335	Hydrants	3.95%
339	Other Plant & Misc. Equipment	5.56%

AQUA ILLINOIS, INC.
AQUA ILLINOIS - MOECHEVILLE WATER SYSTEM (AURORA, IL) @ \$1,400,000
PROPOSED DEPRECIATION RATES

<u>General Plant</u>		<u>Water Rates</u>
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.00%
344	Laboratory Equipment	5.00%
340	Office Furniture	4.74%
340	Personal Computers	12.50%
340	PC Software	20.00%
340	MainFrame Computers	12.50%
340	MainFrame Software	12.50%
340	Other Machinery & Equipment	5.00%
342	Stores Equipment	3.28%
345	Power Equipment	5.00%
346	Communication Equipment	12.50%
347	Miscellaneous Equipment	5.56%
341	Transportation Equipment	10.77%
343	Tools, Shop and Garage Equip.	7.31%
348	Other Tangible Plant	3.33%

Moecherville Water District
 Illinois Rural Water Association
 Construction Documents

Item No.	Description	Quantity	Account	Bowen	CB&I	Gurantee Co. of	R.J. O'Neil	Other	TOTAL
				Engineering	Contractors	North America			
<u>Budget Items with No Payout Documentation</u>									
1	Legal Expenses		304300					15,000.00	15,000.00
2a	Land / Clearance - Well #1		303210					19,750.00	19,750.00
2b	Land / Clearance - Well #2		303210					19,750.00	19,750.00
2c	Land / Clearance - Well #3		303210					19,750.00	19,750.00
2d	Land / Clearance - Water Treatment & Tower		303300					19,750.00	19,750.00
3	Engineering \$445,000 (Preliminary Report / Design / Inspection / Additional)								-
4	Water Plant & Office		304300					215,855.93	215,855.93
5	Main Replacement		331400					229,144.07	229,144.07
6	Equipment / Other Expenses		340545					65,000.00	65,000.00
7	Contingency (No final payout for main replacement)		331400					112,141.00	112,141.00
<u>Water Plant & Office</u>									
1	Traffic Maintenance and control		304300	1,800.00					1,800.00
2	Excavation for Structures		304300	7,260.00					7,260.00
3	CA-7 for sand and water mains		304300	9,120.00					9,120.00
4	Trenching and galvanized pipe for electric and commutations		304300	24,000.00					24,000.00
5	Site excavation, top soil, seeding		304300	3,720.00					3,720.00
6	Parkway site excavation, top soil, seeding		304300	1,020.00					1,020.00
7	Grouted stone riprap		304300	2,310.00					2,310.00
8	5" concrete sidewalk		304300	6,480.00					6,480.00
9	Concrete curb		304300	2,750.00					2,750.00
10	8" bollard		304300	800.00					800.00
11	Asphalt drive		304300	15,040.00					15,040.00
12	Asphalt marking		304300	1,200.00					1,200.00
13	6" sanitary sewer		304300	4,200.00					4,200.00
14	8" sanitary sewer complete and permits		304300	19,200.00					19,200.00
15	12" RCCP culvert pipe		304300	850.00					850.00
16	Precast RCCP flair ends		304300	1,600.00					1,600.00
17	48" precast manhole with frame and lid		304300	5,600.00					5,600.00
18	Filter backwash discharge structure with lid		304300	4,000.00					4,000.00
19	10" DI water main		304300	6,600.00					6,600.00
20	6" DI water main		304300	3,150.00					3,150.00
21	10" gate valve in 60" valve vault		304300	8,200.00					8,200.00
22	6" date valve in 48" vavle vault		304300	7,000.00					7,000.00
23	Fire hydrant complete		304300	2,100.00					2,100.00
24	Cast or DI fittings and accessories		304300	3,600.00					3,600.00
25	Pressure testing and chlorination of water main		304300	2,385.00					2,385.00
26	Concrete foundations		304300	42,336.00					42,336.00
27	Booster station skid for tower		304300	51,000.00					51,000.00
28	Complete package treatment plant		304300	830,165.00					830,165.00
29	3 well houses with instrumentation and demo existing per addendum #44		304300	62,000.00					62,000.00
30	Complete design / build wireless system		304300	46,000.00					46,000.00
31	Electric and telephone service installation to building		304300	48,000.00					48,000.00
32	Install and maintain temp erosion control		304300	2,800.00					2,800.00
33	Change Order No. 001								
	a Fill in drive to make one entrance		304300	3,076.14					3,076.14
	b Extra piping for overflow location change		304300	2,613.72					2,613.72
	c Remove 6" of stone in drive		304300	770.07					770.07
	d Add shorter manhole lid frame		304300	189.75					189.75

Moecherville Water District
Illinois Rural Water Association
Construction Documents

Item No.	Description	Quantity	Account	Bowen	CB&I	Guarantee Co. of	R.J. O'Neil	Other	TOTAL
				Engineering	Contractors	North America			
	e Item 2. Delete 46.2 C.Y. Excavation @ \$44.00		304300	(2,032.80)					(2,032.80)
	f Item 26 Delete 6.86 C.Y. Concrete @ \$588.00		304300	(4,033.68)					(4,033.68)
	g Delete MV-5 manhole and valve		304300	(8,200.00)					(8,200.00)
	h Delete ceiling tiles		304300	(247.90)					(247.90)
	i Delete under slab piping		304300	(141.60)					(141.60)
	j Delete manhole and lid		304300	(728.30)					(728.30)
	k Delete concrete vulvert pipe		304300	(290.10)					(290.10)
34	Change Order No. 002		304300	59,933.00					59,933.00
<u>250 MG x 99.5' BCL Waterspheroid</u>									
1	Engineering		330400		36,000.00				36,000.00
2	Tank Material in Shop		330400		135,000.00				135,000.00
3	Tank Material Delivery to Shop		330400		109,000.00				109,000.00
4	Foundation Construction & Water Main		330400		114,000.00				114,000.00
5	Tank Erection		330400		202,700.00				202,700.00
6	Electrical (Rough)		330400		9,700.00				9,700.00
7	Electrical (Final)		330400		10,000.00				10,000.00
8	Paint		330400		112,200.00				112,200.00
9	Sterilize & Test		330400		500.00				500.00
10	Cathodic Protection		330400		7,300.00				7,300.00
11	Final Site Work		330400		5,000.00				5,000.00
12	Change Order #1 - Adding UV Blocker to Exterior Paint		330400		8,484.00				8,484.00
<u>Main Replacement</u>									
1	Traffic Maintenance & Control	1	331400			5,000.00			5,000.00
2	Exploration Trench	4	331400			6,044.40			6,044.40
3	Expose & Disconnect 4" line @ each well house	3	331400			3,605.40			3,605.40
4	Temp. Connection @ Easement S of 5th Avenue	1	331400			3,772.00			3,772.00
5	4" DIPS HDPE DR 11.0 (HDD)	1,208	331400			33,220.00			33,220.00
6	6" DIPS HDPE DR 11.0 (HDD)	4,219	331400			158,634.40			158,634.40
7	8" DIPS HDPE DR 11.0 (HDD)	13,915	331400			670,703.00			670,703.00
8	4" gate valve, bends and reducer @ well houses	3	331400			6,775.80			6,775.80
9	4" gate valve and box @ easement	3	331400			3,673.80			3,673.80
10	6" gate valve and box @ parkway	11	331400			14,484.80			14,484.80
11	6" gate valve and box @ pvmt. Including fill & Restoration	1	331400			2,289.70			2,289.70
12	8" gate valve and box @ parkway	30	331400			54,924.00			54,924.00
13	8" gate valve and box @ pvmt. Including fill & Restoration	1	331400			2,454.10			2,454.10
14	10" gate valve and box @ pvmt. Including fill & Restoration	1	331400			6,612.50			6,612.50
15	Casing for Street Crossing	1,271	331400			146,927.60			146,927.60
16	Blow-Off Complete	3	331400			4,012.50			4,012.50
17	Fire Hydrant Complete	26	335400			76,843.00			76,843.00
18	Min. 12 test of water main	1	331400			7,981.00			7,981.00
19	HDPE or D.I. fittings as required	1	331400			48,000.00			48,000.00
20	1" Service Tap	271	333400			204,144.30			204,144.30
21	Single Pitsetter	171	334410			202,942.80			202,942.80
22	Dual Pitsetter	109	334410			141,896.20			141,896.20
23	Fence removal and reinstallation	1,200	331400			54,000.00			54,000.00
24	Temporary Erosion Control	1	331400			15,000.00			15,000.00
25	T&M Rock Excavation	1	331400			(5,709.10)			(5,709.10)
26	T&M Miscellaneous	1	331400			15,243.00			15,243.00

Moecherville Water District
 Illinois Rural Water Association
 Construction Documents

Item No.	Description	Quantity	Account	Bowen	CB&I	Guarantee Co. of	R.J. O'Neil	Other	TOTAL
				Engineering	Contractors	North America			
27	8" DIPS DR-11 AWWA HDPE not used	227	331400			1,952.20			1,952.20
28	Single Plastic Pit	37	334410			10,785.50			10,785.50
29	Double Plastic Pit	52	334410			22,620.00			22,620.00
30	Ford Meter Pit	53	334410			6,519.00			6,519.00
<u>Water Meters</u>									
1	Furnish & Install Hersey 3/4" displacement type meters	371	334410				152,110.00		152,110.00
2	Furnish & Install Hersey 1 1/2" displacement type meter at the fire department	1	334410				960.00		960.00
3	Furnish & Install Radio (MIU) meter interface units	212	334410				69,960.00		69,960.00
4	Furnish & Install Radio (CCU5) Data Collection Units	1	334410				14,680.00		14,680.00
5	Furnish & Install All other components	1	334410				60,000.00		60,000.00
				1,277,194.30	749,884.00	1,925,351.90	297,710.00	716,141.00	4,966,281.20
			303210	Land & Land Rights-Source					59,250.00
			303300	Land & Land Rights-Treatment					19,750.00
			304300	Structures & Imp-Treatment					1,508,050.23
			330400	Dist Reservoirs & Standpipes					749,884.00
			331400	T&D Mains					1,600,886.17
			333400	Services					204,144.30
			334410	Meters					682,473.50
			335400	Hydrants					76,843.00
			340545	OffFum&Equip-OthMechEquip					65,000.00
									4,966,281.20

Moecherville Water District
P&L of the Illinois Rural Water Association
October 8, 2010 through June 30, 2012

Income	<u>21 Months</u>	<u>Annualized</u>	
User Fees	446,657.36	255,232.78	
Other	<u>806.79</u>	<u>461.02</u>	
Total Income	447,464.15	255,693.80	
Expenses:			
Operator	62,000.00	35,428.57	O/S-Operations
Clerical	12,092.80	6,910.17	Labor
Electric	25,624.00	14,642.29	Power
Chemicals	10,698.18	6,113.25	Chemicals
Water Billing	4,083.75	2,333.57	ACO
Postage, Mailing Service	4,994.60	2,854.06	ACO
Lab Fees	3,184.00	1,819.43	Lab
Maintenance	41,716.28	23,837.87	Maintenance
Service Vehicles	174.00	99.43	Transporation
Insurance	16,079.12	9,188.07	Insurance
Collection	8,122.50	4,641.43	Bad Debt
Office Supplies	2,062.40	1,178.51	Miscellaneous
Telephone / Telecommunications	5,865.37	3,351.64	Miscellaneous
Gas	1,679.12	959.50	Miscellaneous
Service Charges	444.97	254.27	Miscellaneous
Property Taxes	724.40	413.94	Taxes
Payroll Expenses	5,099.74	2,914.14	Taxes
Legal Fees	17,494.12	9,996.64	Legal
Hearings & Meetings	<u>9,477.96</u>	<u>5,415.98</u>	Legal
Total Expenses	231,617.31	132,352.75	
Operating Income	215,846.84	123,341.05	

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc.	:	
	:	
Petition for Issuance of Certificate of Public	:	
Convenience and Necessity to Operate a	:	12-0467
Water Supply and Distribution System in	:	
Kane County, Illinois; and for the Issuance	:	
of an Order Approving Rates, Accounting	:	
Entries and Tariff Language.	:	

ORDER

By the Commission:

PROCEDURAL HISTORY

On August 3, 2012, Aqua Illinois, Inc. ("Aqua Illinois" or the "Company") filed with the Illinois Commerce Commission ("Commission") a Verified Petition ("Petition") for the Issuance of a Certificate of Public Convenience and Necessity to Operate a Water Supply and Distribution System in Kane County, Illinois ("Certificate") pursuant to Section 8-406 of the Public Utilities Act (the "Act") (220 ILCS 5/8-406), and for the Issuance of an Order approving Rates, Accounting Entries and Tariff Language.

Pursuant to notice duly given in accordance with the law and the rules and regulations of the Commission, a pre-hearing conference was held in this matter before a duly authorized Administrative Law Judge of the Commission, at its offices in Chicago, Illinois, on August 20, 2012.

An evidentiary hearing was held on October 1, 2012. At the evidentiary hearing, Aqua Illinois and the Staff of the Commission ("Staff") each presented written testimony, all of which was sworn and verified by affidavit, and exhibits that were admitted into the evidentiary record. At the conclusion of the evidentiary hearing, the record was marked "Heard and Taken."

The following witnesses testified on behalf of Aqua Illinois: Craig Blanchette, Vice President and Operations Manager of Aqua Illinois, Inc., and Paul Hanley, Controller of Aqua Illinois, Inc. Staff submitted the direct testimony of William H. Atwood Jr., P.E., Water Engineer, Water Engineering Program, Safety & Reliability Division of the Commission; Cheri Harden, Rate Analyst, Rates Department, Financial Analysis Division of the Commission; Daniel G. Kahle, Accountant, Accounting Department, Financial Analysis Division of the Commission. Staff also filed the verified statement of

Rochelle M. Phipps, Senior Financial Analyst, Financial Analysis Division of the Commission.

I. FACTUAL BACKGROUND

This proceeding involves Aqua Illinois' proposed acquisition of a water service area known as the Moecherville Water System ("Water System"), which is located within the Moecherville Subdivision in unincorporated Aurora Township in Kane County, Illinois. The area is almost entirely residential and has a total area of 105.6 acres and currently includes 370 residential customers, a church and a fire station. Among other things, the facilities include three potable water wells, a 250,000 gallon elevated water storage tank and 27 fire hydrants. Aqua Illinois is seeking Commission approval to acquire this water system and obtain a Certificate to serve this territory.

Aqua Illinois provides water and sewer public utility service to the public in certain areas of Kankakee, Vermilion, Will, Boone, Knox, Lake, Cook, DeKalb and Champaign Counties in Illinois. On October 7, 2010, the United States initiated foreclosure proceedings against Moecherville Water District, N.F.P. ("Moecherville") in the U.S. District Court for the Northern District of Illinois ("Court") for defaulting on a Promissory Note and Mortgage ("Note and Mortgage"). Pursuant to the Note and Mortgage, Moecherville pledged "any property, real personal, mixed tangible, or in tangible, of every nature in kind whatsoever consisting of sites, all fixed equipment and appurtenances thereto... and all such properties and assets that the Borrower may hereafter acquire," which effectively comprise the Water System. On October 8, 2010, the Court appointed the Illinois Rural Water Association as the receiver for the Water System. On May 15, 2012, the Court entered an Order of Foreclosure and Default Judgment against Moecherville in the sum of \$3,418,706.39, plus interest, which was the total due on the Note and Mortgage as of February 21, 2012.

Consistent with the Order for Foreclosure, a public auction was held July 30, 2012. Aqua Illinois was the highest bidder and therefore purchased the Water System and related interests for \$1,400,000.00. The Company paid a non-refundable deposit of \$140,780.00 upon becoming the winning bidder. The balance of the purchase price, plus interest at the statutory judgment rate accrued between the day of sale and the date of full payment of the purchase price, is due 120 days from July 30, 2012, or November 27, 2012. Pursuant to the terms of the judicial sale, in order for the transaction to close, Aqua Illinois must also receive a Certificate from the Commission on or before November 27, 2012 in order to acquire Moecherville or lose its deposit.

II. REQUESTED FINDINGS AND APPROVALS

Consistent with Section 8-406 of the Act, Aqua Illinois requests that the Commission issue a Certificate in order for it to finalize the purchase of and undertake operation of the Water System. Staff does not oppose the Commission granting Aqua Illinois' request for Certificate.

1. The Record

(1) **Aqua Illinois Has the Technical, Financial, and Managerial Ability to Operate and Maintain the Moecherville Water System.**

Mr. Blanchette, Vice President and Operations Manager for Aqua Illinois testified that Aqua Illinois has the technical, financial, and managerial ability to operate and maintain a public water supply and distribution system in the Moecherville water distribution territory.

The Company currently consists of seven tariff areas, serving more than 62,000 customers in nine counties. Mr. Atwood, a water engineer for Staff, testified that "Aqua has consistently demonstrated that its water and sewer systems in Illinois are well-operated, efficiently managed and supervised, and that its equipment is well-maintained." Indeed, since the Company obtained Commission approval to operate in Illinois in 1998, the Company has acquired at least 13 other water facilities in Illinois, several of which were either new or in financial distress. Thus, Aqua Illinois has many years of experience in the acquisition and operation of distressed water systems from utilities, municipalities, and water districts in Illinois. Staff and Aqua Illinois also both agree that Aqua Illinois has the technical, financial and managerial ability to operate and maintain the Water System that serves the proposed certificated area.

Aqua represents that the total cost to Aqua for the Moecherville Water District System is \$1,523,777.00, which includes the \$1,400,000.00 purchase price; \$50,000.00 closing costs; \$37,777.00 of interest on the outstanding purchase price; and \$45,000.00 of related capital improvements to the existing facilities over the next four years. (Aqua Ex. 2.1, Sch. 3). Staff witness Phipps testified that the Company is capable of financing the proposed transaction without significant adverse financial consequences to the Company or its customers because the total cost of the proposed purchase would be minimal relative to the Company's total utility plant and operating revenue. Thus, in Staff's judgment, the application meets the requirement of Section 8-406(b)(3) of the Act and Staff recommends the Commission find that Aqua is capable of financing the proposed construction without significant adverse financial consequences to the Company or its customers.

In summary, Staff and the Company both agree that Aqua Illinois has the technical, financial, and managerial ability to operate and maintain the Water System that serves the proposed certificated service area.

(2) **There Are No Other Commission-Regulated Water Utilities that Are Able to Provide Service in a More Cost Effective Manner.**

No other Commission-regulated utilities have a Certificate to provide water service to the proposed certificated service area. Although there are several

municipalities, water districts, or utilities near Moecherville that could provide water service, no party submitted evidence indicating that any of the adjacent communities were willing to serve the Moecherville area, as reflected by the fact that no municipality has intervened in this proceeding.

Therefore, Staff and Aqua Illinois agree that there are no other Commission-regulated water utilities that are able to provide service in a more cost-effective manner.

(3) **Aqua Illinois Has Demonstrated that the Proposed Acquisition is the Least-Cost Means of Providing Water Service to the Customers in the Proposed Certificated Service Area.**

For the following reasons, Staff and Aqua Illinois agree that Aqua Illinois has demonstrated that the acquisition is the least-cost means for providing water service to the customers in the proposed area: (1) there is a need for water service in the proposed certificated service area, (2) Aqua Illinois was the successful bidder at the public auction held for the sale of the Water System, (3) nearby municipalities have not expressed any interest in serving the area, and (4) no municipalities bid on the Water System.

(4) **Rates and Charges**

Pursuant to Staff's recommendation, Aqua Illinois proposes to charge Moecherville customers the same rates currently in effect in Aqua Illinois' Six Division Consolidated Tariff Group. Ms. Harden, a Rate Analyst for Staff, compared Moecherville's current rates and average monthly bills against the average monthly bill of other Aqua Illinois divisions. She concluded that "Aqua's consolidated water service rates would produce an average monthly bill that is closest to the current Moecherville average monthly bill."

The Water System currently provides fire protection service to its customers and Aqua Illinois will continue to provide the same fire protection service to its customers. Staff and Aqua Illinois have agreed to the following monthly fire protection charges, as set forth in Aqua Ex. 3.1: \$5.25 for a customer with a 5/8" meter, \$7.88 for customers with a 3/4" meter, \$13.13 for customers with a 1" meter, and \$26.25 for customers with a meter larger than 1".

Finally, when determining rates, Staff and Aqua Illinois agree that the percentage of unaccounted-for water should be capped at 15%.

(5) **Accounting Entries and Schedules**

Paul Hanley, Controller for Aqua Illinois, submitted eleven schedules for which the Company seeks approval. Those schedules include: Pro Forma Income Statement with Rate of Return, Average Residential Bill based on current rates within the Water System, Projected Capital Spending, Accounting Entries, Rate Base, Acquisition

Adjustment, Summary of Assets of the Utility Plant in Service, Summary of Contributions, Depreciation Rates, Detail of Assets of the Utility Plant in Service, and Income Statement from Illinois Rural Water Association ("IRWA").

According to Mr. Hanley, because the Water System was built in 2006-2007, the assets are relatively new and Aqua Illinois does not anticipate any major capital additions over the next four years, although minimal capital spending may be necessary for "new meters, main breaks or other capitalized improvements to the system." He calculates the entire balance for contributed property to be \$3,212,223.00, with an amortized balance of \$2,690,917.00, and a net value of assets of \$4,160,312.00 (as of December 2012). He determined the rate base to be \$1,469,395 and the acquisition adjustment to be \$18,381.00. Pursuant to Staff's recommendation, Aqua Illinois has agreed to not include the acquisition adjustment in the Company's rate base in future rate cases, nor will it include the amortization of the acquisition adjustment in the Company's operating statement for recovery in future rate cases.

Mr. Hanley testified that consistent with Commission Policy and the Uniform System of Accounts ("USOA"), 83 Ill. Admin Code, Pt. 605, Aqua Illinois proposes to record the original cost of the acquired plant as a credit to Account 104. He also stated that the proposed journal entries are consistent with the requirements for USOA. Aqua Illinois will record the original cost, accumulated depreciation, contributed property and transaction costs of the Water System in the applicable accounts, with the difference between the cost of the Water System and purchase price recorded in Account 114-Acquisition Adjustments. Aqua Illinois proposes to amortize the Acquisition Adjustment below-the-line to Account 421 over a period of 30 years, taking into consideration the current depreciation expense over the remaining book value of the Water System.

Aqua Illinois anticipates the transaction costs of the acquisition to include approximately \$88,000.00 in costs and fees, including approximately \$37,777 in interest. Aqua Illinois proposes to record these costs to Account 104 – Utility Plant Purchased or Sold.

Aqua Illinois submitted a Pro Forma as Aqua Ex. 2.1 Schedule 1, which indicates an annualized revenue of \$255,233.00. Mr. Hanley concludes this is a fair representation of the total system revenue. Staff does not object to this proposal. The Company agrees to file the final accounting entries for the transaction within 60 days of the transaction date. If the transaction has not occurred within six months of the final Order in this proceeding, Aqua Illinois will file a status report at six month intervals until the journal entries are filed on e-Docket.

(6)

Rules, Regulations and Conditions of Service Tariff Sheets

Aqua Illinois proposes to implement its most current Rules, Regulations and Conditions of Service tariffs on file with the Commission, marked as Aqua Ex. 1.6. Aqua Illinois agrees to Staff's recommendation that it file revised Rules, Regulations,

and Conditions of Service tariffs for water service that include the Moecherville Subdivision in unincorporated Aurora Township, Kane County, Illinois, within ten business days of the closing of the acquisition, with an effective date of no less than five working days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary.

(7) Impact on Existing Aqua Illinois Customers

According to Mr. Hanley, the acquisition will not result in the unjustified subsidization of non-utility activities by Aqua Illinois or its customers. He does not believe the acquisition will adversely impact Aqua Illinois' capital plan and capital structure. The Company's goal is to attain a capital structure of 53% equity and 47% debt, with an allowed return on equity of no less than 9.49%, as approved by the Commission in Docket 11-0436. The acquisition will not impair Aqua Illinois' ability to raise necessary capital on reasonable terms. Mr. Hanley projects the average return on equity for 2013-2016 to be 2%.

2. Commission Analysis and Conclusion

Aqua Illinois has presented substantial and compelling evidence to support granting a Certificate to provide water service to operate the Water System. The Commission's approval of Aqua Illinois' Petition incorporates the resolution of issues described herein between Aqua Illinois and Staff.

The record shows that there is a need to provide adequate, reliable, and efficient service to the customers within the proposed certificated service area. As an experienced water utility in the State of Illinois, Aqua Illinois has demonstrated that it has the technical, financial and managerial ability to operate and maintain a public water supply and distribution system in the Moecherville area. Aqua Illinois has shown that the ownership, operation, and maintenance of the Water System by Aqua Illinois is the least-cost means of providing water service to customers in the proposed certificated service area. Furthermore, Aqua Illinois has demonstrated that it is capable of efficiently managing and supervising the activities necessary to provide water service to the proposed certificated area. Indeed, customers within the Water System are likely to benefit from having an experienced water system operator manage and operate the system.

Based on the evidence, the Commission concludes that Aqua Illinois has made the appropriate showing pursuant to Section 8-406(a) and 8-406(b) of the Act. Accordingly, Aqua Illinois' Petition for Certificate of Public Convenience and Necessity is hereby granted as set forth herein.

Aqua Illinois additionally seeks approval of proposed rates, accounting entries and tariffs, to reflect and account for Aqua Illinois' acquisition of the Water System. The Commission agrees with Staff and Aqua Illinois' joint recommendation to consolidate Moecherville with Aqua Illinois' Consolidated water service rate tariff. This approach is

consistent with the Order in Aqua Illinois' last rate case, Docket 11-0436, where the Commission noted the benefits of increased efficiencies from consolidation. Here, the evidence shows that consolidating Moecherville with Aqua Illinois' six consolidated divisions will strike the best balance between providing cost effective service to Moecherville's customers and Aqua Illinois' customers. Based on the evidence, the Commission agrees with Staff and Aqua Illinois' remaining agreed-to recommendations, which are reflected herein. Accordingly, the Commission hereby approves Aqua Illinois' proposed water depreciation rates, as set forth in Aqua Ex. 2.1 Schedule 9.

Aqua Illinois shall file its revised Rules, Regulations, and Conditions of Service tariffs for water service, inclusive of the Moecherville Subdivision in unincorporated Aurora Township, Kane County, Illinois, within ten business days of the closing of the acquisition, with an effective date of not less than five working days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary. Aqua Illinois shall file a report with the Chief Clerk of the Commission within seven business days after the closing of the proposed acquisition, indicating the date on which the closing of the transaction occurred; Aqua Illinois shall also provide a copy of this filing to the Manager of the Commission's Water Engineering Program.

III. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Aqua Illinois, Inc. provides water and sewer public utility service to the public in certain areas of Kankakee, Vermilion, Champaign, Cook, Will, Boone, Knox, DeKalb, and Lake Counties in the State of Illinois, and is a public utility within the meaning of the Public Utilities Act, 220 ILCS 5/3-105.
- (2) the Commission has jurisdiction over the parties and the subject matter herein;
- (3) the recitals of fact and conclusions of law reached in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact and conclusions of law;
- (4) Aqua Illinois has met the requirements of Sections 8-406(a) and 8-406(b) of the Public Utilities Act;
- (5) the proposed certificated service area as depicted and legally described in Staff Exhibit 1.01 is approved;

- (6) the Company's current Rules, Regulations, and Conditions of Service tariffs for water service and its Consolidated Water Divisions rates are applicable to customers in the proposed certificated service area;
- (7) the water depreciation rates that are currently in effect for the Consolidated Water Division rate area are applicable to the proposed certificated service area;
- (8) the acquisition adjustment resulting from the purchase of Moecherville shall not be included in the Company's rate base, and the amortization of the acquisition adjustment shall not be included in the Company's operating statement for recovery in future rate cases;
- (9) the acceptable maximum percentage of allowable unaccounted-for water for the Moecherville Water System shall be 15 percent, and the rate tariff compliance filing shall include a 15 percent maximum percentage of unaccounted-for water limitation for Moecherville;
- (10) Aqua Illinois shall file revised Consolidated Water Division rate tariff sheets that include Moecherville Subdivision in unincorporated Aurora Township, Kane County, Illinois, and Moecherville public fire protection rates within ten business days of the closing of the acquisition with an effective date of not less than five business days after the date of filing for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary;
- (11) Aqua Illinois shall file revised Rules, Regulations, and Conditions of Service tariffs for water service that include Moecherville Subdivision in unincorporated Aurora Township, Kane County, Illinois within ten business days of the closing of the acquisition, with an effective date of not less than five working days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary;
- (12) Aqua Illinois shall file a report with the Chief Clerk of the Commission within seven business days after the closing of the proposed acquisition, indicating the date on which the closing of the transaction occurred; Aqua Illinois shall also provide a copy of this filing to the Manager of the Commission's Water Engineering Program;
- (13) Aqua Illinois shall file, within 60 days of the closing date, the final accounting entries for the transaction showing the actual dollar values of all involved entries used to record the purchase as a filing on the Commission's e-Docket system with a copy to the Commission's Accounting Department Manager.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Aqua Illinois' Petition is granted, subject to the conclusions and findings set forth above.

IT IS FURTHER ORDERED that Aqua Illinois is hereby issued a Certificate of Public Convenience and Necessity to operate the Moecherville water supply and distribution system in Kane County, Illinois.

IT IS FURTHER ORDERED that any motions, petitions, objections, and other matters in this proceeding which remain outstanding are hereby denied.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 24th day of October, 2012.

(SIGNED) DOUGLAS P. SCOTT

Chairman