

DIRECT TESTIMONY

of

RICHARD W. BRIDAL II

Accounting Department  
Financial Analysis Division  
Public Utilities Bureau  
Illinois Commerce Commission

Aqua Illinois, Inc.

Petition for Initiation of Reconciliation Hearing

Docket No. 13-0206

September 12, 2013

1 **Witness Identification**

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

3 A. My name is Richard W. Bridal II. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am an Accountant in the Accounting Department of the Financial Analysis  
7 Division of the Illinois Commerce Commission (“ICC” or “Commission”).

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

9 A. I am a Certified Public Accountant with a Bachelor of Business in Accountancy  
10 from Western Illinois University, and am a member of the Illinois CPA Society.  
11 Prior to joining the Commission Staff (“Staff”) in October 2008, I was employed  
12 for 8 years as an auditor by the Medicare Part A Fiscal Intermediary for Illinois.

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

14 A. Yes, I have testified before the Commission on several occasions.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to report the results of my review of  
17 Aqua’s Qualifying Infrastructure Plant Surcharge (“QIP Surcharge”) for the year  
18 ending December 31, 2012 as provided in Aqua’s Petition and in Aqua Exhibit  
19 1.0, titled the Direct Testimony of Paul J. Hanley.

20 **Schedule Identification**

21 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?**

22 A. Yes. I am sponsoring the following schedules:

23 Schedule 1.1 (K), (V) Qualifying Infrastructure Plant Surcharge  
24 Reconciliation

25 Schedule 1.2 (K), (V) Adjustment to 2010 O Factor (+ Interest)  
26 Recovered in 2012

27 Schedule 1.3 (V) Adjustment to 2011 O Factor Recovered in  
28 2013

29 **Q. Please explain the “(K)” and “(V)” suffixes which appear in your schedule**  
30 **numbers.**

31 A. The Company has two divisions that had a QIP Surcharge during the 2012  
32 reconciliation year: Kankakee and Vermilion. The “(K)” suffix identifies a  
33 schedule that pertains to the Kankakee division QIP Surcharge. The “(V)” suffix  
34 identifies a schedule that pertains to the Vermilion division QIP Surcharge.

35

36 **Results of Staff’s Review**

37 **Q. Please explain Schedules 1.1 (K) and 1.1 (V), Qualifying Infrastructure Plant**  
38 **Surcharge Reconciliation.**

39 A. Schedules 1.1 (K) and 1.1 (V) presents the Company’s 2012 reconciliation for  
40 the Kankakee and Vermilion divisions, Staff’s adjustment to the Company’s  
41 reconciliation, and Staff’s proposed reconciliation. Schedule 1.1 (K) shows that  
42 for 2012, the Company over-collected for its Kankakee division qualifying  
43 infrastructure plant surcharge. Schedule 1.1 (V) shows that for 2012, the  
44 Company under-collected for its Vermilion division qualifying infrastructure plant  
45 surcharge.

46 **Q. Has the Company reflected these amounts in its surcharge rate for 2013?**

47 A. With the exception of the adjustments that Staff is proposing to the Company's  
48 Kankakee and Vermilion division reconciliations, the Company has properly  
49 reflected the these amounts in its 2013 purchased water surcharge rates.

50 **Q. Please explain Schedules 1.2 (K) and (V), Adjustment to 2010 O Factor Plus**  
51 **Interest.**

52 A. Schedules 1.2 (K) and (V) present Staff's adjustment to the 2010 O Factor  
53 Amounts reported by the Company for the Kankakee and Vermilion divisions to  
54 include interest as required by 83 Adm. Code 656.80(d). The Company did not  
55 include the required interest. The 2010 O Factor amounts plus interest were  
56 recovered from Kankakee and Vermilion division ratepayers during 2012.

57 **Q. Please explain Schedule 1.3 (K), Adjustment to 2011 O Factor.**

58 A. Schedule 1.3 (K) presents Staff's adjustment to include the Kankakee division  
59 2011 O Factor in the 2012 reconciliation for purposes of presenting the correct  
60 (Over)/Under Recovery from Prior Periods. The Company did include the  
61 Kankakee division 2011 O Factor in its filing, which caused an incorrect  
62 presentation of the (Over)/Under Recovery from Prior Years. This adjustment  
63 has no impact on the determination of the Kankakee division 2012 O Factor, as  
64 the 2011 O Factor is settled in 2013.

65 **Recommendation**

66 **Q. What is your recommendation to the Commission?**

67 A. I recommend that the Commission approve the QIP Surcharge reconciliation as  
68 presented on my Schedule 1.1 (K) & (V) for the Kankakee and Vermilion  
69 divisions.

70 I also recommend that the \$386 O Factor set forth on my Schedule 1.1(K) be  
71 recovered from ratepayers in the Kankakee division, and the \$120 O Factor set  
72 forth on my Schedule 1.1(V) be recovered from ratepayers in the Vermilion  
73 division. The recovery of each O Factor should include an interest component in  
74 accordance with 83 Ill. Adm. 656.60(b). The recovery of the O Factors and  
75 interest should be accomplished by the inclusion of each as part of the qualifying  
76 infrastructure plant surcharges calculated with the first information sheets that the  
77 Company files subsequent to the Order in this Docket.

78 **Q. Does this question conclude your prepared direct testimony?**

79 A. Yes.

**Aqua Illinois, Inc. - Kankakee Division**  
**Qualifying Infrastructure Plant Surcharge Reconciliation**  
**For the Year ended December 31, 2012**

Line No.	Description (A)	Amount Per Company (B)	Adjustment (C)	Amount Per Adjustments Col. (B)+(C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Prior Period R Factor (2011) [Docket No. 12-0194]	\$ 786	\$ -	\$ 786
2	2010 O Factor + Interest [Docket No. 11-0257]	61,694 (a)	386	62,080
3	2011 O Factor + Interest [Docket No. 12-0194]	-	-	-
4	(Over)/Under Recovery from Prior Periods (Ln 1 + Ln 2 + Ln 3)	<u>\$ 62,480</u>	<u>\$ 386</u>	<u>\$ 62,866</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
5	2012 Average Cost of Allowable Investment in QIP	\$ 3,414,116	\$ -	\$ 3,414,116
6	2012 Authorized Rate of Return	11.70%	11.70%	11.70%
7	2012 Authorized Return on QIP (Line 4 x Line 5)	399,452	-	399,452
8	2012 Allowable Depreciation	205,870	-	205,870
9	2012 QIP Revenue	(570,919)	-	(570,919)
10	Excess Earnings Reduction	(431,738)	-	(431,738)
11	Other Adjustments (Rounding)	(2)	-	(2)
12	Current Year (Over)/Under Recovery (Sum of Lines 4 thru 11)	<u>(397,337)</u>	<u>-</u>	<u>(397,337)</u>
13	Cumulative (Over)/Under Recovery (Line 3 + Line 12)	<u><u>\$ (334,857)</u></u>	<u><u>\$ 386</u></u>	<u><u>\$ (334,471)</u></u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
14	2011 O Factor + Interest (Refunded)/Recovered in 2013	\$ -	\$ -	\$ -
15	2012 R Factor (Refunded)/Recovered in 2013	(334,857)	-	(334,857)
16	<b>2011 O Factor to be (Refunded)/Recovered</b>	<u>-</u>	<u>386</u>	<u>386</u>
17	Cumulative (Over)/Under Recovery (Sum of Lines 14 thru 16)	<u><u>\$ (334,857)</u></u>	<u><u>\$ 386</u></u>	<u><u>\$ (334,471)</u></u>

Sources:

Column (B): Company Petition, Exhibit A

Column (C): Adjustments

(a) Staff Ex. 1.2(K), Ln. 5

Note: Excess Earnings Reduction is for the Excess Earnings Amount ("EEA") described in 83 Adm. Code 656.80(d)

Aqua Illinois, Inc. - Kankakee Division  
 Adjustment to 2010 O Factor (+ Interest) Recovered in 2012  
 For the Year ended December 31, 2012

Line No.	Description (A)	Amount (B)	Source (C)
1	2010 O Factor Recovered in 2012	\$ 61,694	ICC Order Appendix A Docket No. 11-0257
2	Interest on 2010 O Factor Recovered in 2012	<u>386</u>	Note A
3	Total 2010 O Factor (+ Interest) Recovered in 2012	<u>\$ 62,080</u>	Line 1 + Line 2
4	2010 O Factor (+ Interest) Recovered in 2012 per Company	<u>61,694</u>	Aqua Ex. 1.0 Exhibit A, Sch. (f)(3):Sch. (h)(4)
5	Adjustment - 2010 O Factor (+ Interest) Recovered in 2012	<u><u>\$ 386</u></u>	Line 3 - Line 4

Note A: ILL.C.C. No. 47, Section No. 2, Twentieth Revised Information Sheet, Information Sheet Supporting Data

**Aqua Illinois, Inc. - Vermilion Division**  
**Qualifying Infrastructure Plant Surcharge Reconciliation**  
**For the Year ended December 31, 2012**

Line No.	Description (A)	Amount Per Company (B)	Adjustment (C)	Amount Per Adjustments Col. (B)+(C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Prior Period R Factor (2011) [Docket No. 12-0194]	\$ 29,955	\$ -	\$ 29,955
2	2010 O Factor + Interest [Docket No. 11-0257]	19,155 (a)	120	19,275
3	2011 O Factor + Interest [Docket No. 12-0194]	- (b)	4,181	4,181
4	(Over)/Under Recovery from Prior Periods (Ln 1 + Ln 2 + Ln 3)	<u>\$ 49,110</u>	<u>\$ 4,301</u>	<u>\$ 53,411</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
5	2012 Average Cost of Allowable Investment in QIP	\$ 960,259	\$ -	\$ 960,259
6	2012 Authorized Rate of Return	11.70%	11.70%	11.70%
7	2012 Authorized Return on QIP (Line 4 x Line 5)	<u>112,350</u>	<u>-</u>	<u>112,350</u>
8	2012 Allowable Depreciation	-	-	-
9	2012 QIP Revenue	(153,305)	-	(153,305)
10	Excess Earnings Reduction	-	-	-
11	Other Adjustments (Rounding)	-	-	-
12	Current Year (Over)/Under Recovery (Sum of Lines 4 thru 11)	<u>(40,955)</u>	<u>-</u>	<u>(40,955)</u>
13	Cumulative (Over)/Under Recovery (Line 3 + Line 12)	<u><u>\$ 8,155</u></u>	<u><u>\$ 4,301</u></u>	<u><u>\$ 12,456</u></u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
14	2011 O Factor + Interest (Refunded)/Recovered in 2013	\$ -	\$ 4,181	\$ 4,181
15	2012 R Factor (Refunded)/Recovered in 2013	8,155	-	8,155
16	<b>2011 O Factor to be (Refunded)/Recovered</b>	<u>-</u>	<u>120</u>	<u>120</u>
17	Cumulative (Over)/Under Recovery (Sum of Lines 14 thru 16)	<u><u>\$ 8,155</u></u>	<u><u>\$ 4,301</u></u>	<u><u>\$ 12,456</u></u>

Sources:

Column (B): Company Petition, Exhibit B

Column (C): Adjustments

(a) Staff Ex. 1.2(V), Ln. 5

(b) Staff Ex. 1.3(V), Ln. 3

Note: Excess Earnings Reduction is for the Excess Earnings Amount ("EEA") described in 83 Adm. Code 656.80(d)

Aqua Illinois, Inc. - Vermilion Division  
 Adjustment to 2010 O Factor (+ Interest) Recovered in 2012  
 For the Year ended December 31, 2012

Line No.	Description (A)	Amount (B)	Source (C)
1	2010 O Factor Recovered in 2012	\$ 19,155	ICC Order Appendix B Docket No. 11-0257
2	Interest on 2010 O Factor Recovered in 2012	<u>120</u>	Note A
3	Total 2010 O Factor (+ Interest) Recovered in 2012	\$ 19,275	Line 1 + Line 2
4	2010 O Factor (+ Interest) Recovered in 2012 per Company	<u>19,155</u>	Aqua Ex. 1.0 Exhibit B, Sch. (f)(3):Sch. (h)(4)
5	Adjustment - 2010 O Factor (+ Interest) Recovered in 2012	<u><u>\$ 120</u></u>	Line 3 - Line 4

Note A: ILL.C.C. No. 47, Section No. 8, Twenty-Second Revised Information Sheet, Information Sheet Supporting Data

Aqua Illinois, Inc. - Vermilion Division  
Adjustment to 2011 O Factor Recovered in 2013  
For the Year ended December 31, 2012

<u>Line No.</u>	<u>Description</u> (A)	<u>Amount</u> (B)	<u>Source</u> (C)
1	2011 O Factor Recovered in 2013	\$ 4,181	ICC Order Appendix B Docket No. 12-0194
2	2011 O Factor Recovered in 2013 per Company	<u>-</u>	Aqua Ex. 1.0 Exhibit B, Sch. (f)(3):Sch. (h)(4)
3	Adjustment - 2011 O Factor (+ Interest) Recovered in 2013	<u>\$ 4,181</u>	Line 1 - Line 2