

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois-American Water Company)	
)	
Petition under Section 7-101 of the)	
Illinois Public Utilities Act for the)	Case No. 13-0401
Approval of and Consent to a Real)	
Estate Purchase Agreement with)	
an Affiliate Interest)	

DRAFT AGREED ORDER

By the Commission:

I. PROCEDURAL HISTORY

On June 13, 2013, Illinois-American Water Company (“Illinois-American,” “IAWC” or the “Company”) filed with the Illinois Commerce Commission (“Commission”) a verified petition pursuant to Section 7-101 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq., seeking approval of a real estate purchase agreement (the “Purchase Agreement”) with an affiliate, American Water Resources, LLC (“AWR”). This proceeding is identified as Docket No. 13-0401.

The Company and Staff agreed to waive an evidentiary hearing. IAWC was represented by counsel and presented the testimony of Paul Mark Shaeffer, Director – Financial Planning and Analysis for the Central Division of American Water Service Company, Inc. (“AWWSC”). AWWSC is the subsidiary of American Water Works Company, Inc. (“AW”) that provides shared services to AW’s water utility subsidiaries. Mary Everson, an Accountant in the Accounting Department of the Financial Analysis Division in the Commission’s Public Utilities Bureau prepared testimony on behalf of Commission Staff (“Staff”). No petitions to intervene were received. By action of the Administrative Law Judge, the record was marked “Heard and Taken.” Neither IAWC nor Staff filed a brief in this matter. IAWC filed a draft order to which, it noted, Staff has no objections.

II. DESCRIPTION OF PETITIONER AND THE TRANSACTION

Illinois-American is a corporation organized under the laws of the State of Illinois with its principal office in the City of Belleville, Illinois. The Company is engaged in the business of furnishing water and wastewater service to the public in numerous communities in various areas of Illinois, including its Chicago Metro District. Illinois-American is a public utility within the meaning of Section 3-105 of the Act.

AWR is a limited liability company organized and existing under the laws of the Commonwealth of Virginia. AWR's managing member is American Water Enterprises, Inc. ("AWE"). AWR and IAWC are affiliated interests under Section 7-101(2) of the Act, as both IAWC and AWE are wholly-owned subsidiaries of AW.

AWR owns certain real estate located at 1000 Internationale Parkway, Woodridge, Illinois 60517 (the "Property"). IAWC currently leases the Property as the administrative headquarters and distribution center for its Chicago Metro division.

The lease was originally approved by the Commission in Docket No. 96-0056 as an affiliate agreement between Citizens Utilities Company of Illinois ("CUCI") and Citizens Resources Company ("CRC"). In Docket No. 00-0476, the Commission approved IAWC's acquisition of the water and wastewater assets of CUCI, and approved IAWC's assumption of CUCI's position under the lease and the affiliate relationship created by such assumption and AWR's assumption of CRC's position under the lease. In addition, the Commission reapproved the lease in Docket No. 04-0597.

III. RELEVANT STATUTORY PROVISIONS

Section 7-101(3) provides in relevant part:

No management, construction, engineering, supply, financial or similar contract and no contract or arrangement for the purchase, sale, lease or exchange of any property or for the furnishing of any service, property or thing, hereafter made with any affiliated interest, as hereinbefore defined, shall be effective unless it has first been filed with and consented to by the Commission or is exempted in accordance with the provisions of this Section or of Section 16-111 of this Act. The Commission may condition such approval in such manner as it may deem necessary to safeguard the public interest. If it be found by the Commission, after investigation and a hearing, that any such contract or arrangement is not in the public interest, the Commission may disapprove such contract or arrangement. Every contract or arrangement not consented to or excepted by the Commission as provided for in this Section is void.

Section 7-101 requires Commission approval of certain transactions between a public utility and an affiliate. The purchase agreement between IAWC and AWR is among the transactions requiring approval. A copy of the Purchase Agreement is attached to IAWC's petition.

The Property consists of a 4.85 acre parcel zoned ORI (Office, Research and Light Industrial District), improved with a building of approximately 53,175 square feet and adjacent parking areas. The building contains administrative offices (approximately 26,175 square feet) and a distribution center (approximately 27,000 square feet).

Illinois American leases the Property from AWR. The lease was last approved by the Commission in Docket No. 04-0597. IAWC pays \$44,006.60 per month under the terms of the lease. The underlying lease term has expired and IAWC is occupying the premises on a month-to-month basis. The lease payments, currently recorded as rental expense, are an operating expense.

Under the purchase agreement, IAWC will purchase the Property from AWR for the amount of \$3.4 million. The purchase price is consistent with the value of comparable property in the area; an independent appraiser retained by IAWC determined that the fair market value of the Property is \$4.2 million.

The Company proposes to record the purchase of the Real Estate in Utility Account 101, Utility Plant in Service, in a manner shown on Exhibit A, which is attached hereto.

Staff witness Mary H. Everson filed direct testimony stating that she has reviewed the petition and the accompanying testimony and numerous data requests. Ms. Everson further indicates that she recommends the Commission approve the purchase of the building at 1000 Internationale Parkway, Woodridge Illinois.

Staff found no reason to object to the Commission finding that the Purchase Agreement is not against the public interest. Further Staff offered no objection to the Commission entering an order approving the Purchase Agreement. Ms. Everson recommends that the Commission find that IAWC's proposed accounting entry to record the purchase of the Property to Utility Account 101, to be in accordance with the Uniform System of Accounts ("USOA").

Findings and Ordering Paragraphs

The Commission, having considered the record herein, is of the opinion and finds that:

- (1) IAWC is an Illinois corporation and a public utility within the meaning of Section 3-105 of the Act engaged in the business of furnishing potable water service and sanitary sewer service to the public in portions of Illinois;
- (2) AWR is a Virginia limited liability company and an affiliate of IAWC as defined in Section 7-101(2) of the Act;
- (3) the Commission has jurisdiction over IAWC and the subject matter of this proceeding;
- (4) the recital of facts and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(5) the journal entries associated with the transactions are appropriate and should be approved;

(6) the real estate Purchase Agreement between IAWC and AWR is not against the public interest and should be approved subject to the condition that:

(a) IAWC provides to the Chief Clerk's Office and the Manager of the Accounting Department copies of the final journal entries of the sale of the Property within 60 days of the date on which the sale closes, and (b) IAWC notify the Commission and the Manager of the Accounting Department of the status of the transaction if the sale has not closed within six months of the date of this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the real estate Purchase Agreement between Illinois-American Water Company and American Water Resources, LLC is hereby approved subject to the conditions set forth herein.

IT IS FURTHER ORDERED that the journal entries associated with the transactions described in the prefatory portion of this Order are hereby approved.

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

By order of the Commission this _____ day of _____, 2013.

(SIGNED) DOUG SCOTT

Chairman