

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AQUA ILLINOIS INC.	:	
	:	
Petition for the Issuance of a Certificate of Public	:	
Convenience and Necessity to Operate a Water	:	
Supply and Distribution System in McHenry	:	No. 13-0595
County, Illinois, and for the Issuance of Order	:	
Approving Rates, Accounting Entries and Tariff	:	
Language	:	
	:	
	:	

Direct Testimony of
CRAIG L. BLANCHETTE
Vice President and Operations Manager

On Behalf of
Aqua Illinois, Inc.

November 8, 2013

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. Craig L. Blanchette, 1000 S. Schuyler Avenue, Kankakee, IL 60901

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

5 A. I am employed by Aqua Illinois, Inc. (“Aqua Illinois” or the “Company”) as Vice
6 President and Operations Manager.

7 **Q. Please state your educational, professional and business background and
8 experience.**

9 A. I hold operator certifications in drinking water, both in Illinois and Indiana. I also hold
10 certifications in wastewater treatment in Illinois. In Illinois, I am certified as an Illinois
11 Environmental Protection Agency (“IEPA”) Class “A” Drinking Water Operator and an
12 IEPA Class “1” Wastewater Operator. In Indiana, I am certified as an IDEM Grade DSL
13 Water Distribution System Operator, a Grade WT3 Water Treatment Plant Operator, and
14 a Grade WT5 Water Treatment Plant Operator. I also hold a Masters of Business
15 Administration degree from Olivet Nazarene University. I am a member of the American
16 Water Works Association. My fourteen years of water utility experience includes
17 employment from 1999 to 2008 with the Village of Manteno, Illinois. During those years
18 of employment, I held various positions as Mechanic, Water/Wastewater Operator,
19 Superintendent of Public Works, and Village Administrator. In 2008, I assumed the
20 position of Vice President and Regional Manager of Aqua Illinois’ Kankakee and Will
21 County Divisions. In November of 2011, I was promoted to Vice President and
22 Operations Manager for the Company.

23

24 **Q. What are your responsibilities as Vice President and Operations Manager of Aqua**
25 **Illinois?**

26 A. I have overall responsibility for the day-to-day operations of the Company's water and
27 wastewater assets throughout Illinois. I am responsible for developing and controlling
28 the Company's operating and maintenance and capital budgets, as well as providing
29 direction in the areas of construction, purchases or other acquisitions, operations,
30 maintenance and protection of all property, facilities and equipment required to maintain
31 water quality standards and continuity of service.

32 **Q. Have you previously testified in regulatory proceedings before the Illinois**
33 **Commerce Commission (the "Commission")?**

34 A. Yes. I most recently submitted testimony on behalf of Aqua Illinois in Docket No. 13-
35 0155, a petition requesting approval of an Asset Purchase Agreement and a Certificate of
36 Public Convenience and Necessity for a number of small systems in Ogle and Winnebago
37 Counties, as well as Docket No. 13-0246, a petition requesting an expansion of the
38 University Park Certificate of Public Convenience and Necessity.

39 **Q. Are you familiar with the Company's Petition regarding the acquisition of certain**
40 **water system assets of McHenry Shores Water Company ("MSWC")?**

41 A. Yes.

42 **II. PURPOSE OF TESTIMONY**

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

44 A. The purpose of my testimony is to support Aqua Illinois' request for Commission
45 approval of a Certificate of Public Convenience and Necessity permitting it to operate,
46 construct, and maintain the assets of the MSWC; the asset purchase agreement ("APA")
47 related to the same; and for entry of an order approving rates, accounting entries, and

48 tariff language. In particular, my testimony discusses Aqua Illinois' financial, technical
49 and managerial ability to operate the MSWC System (the "System"). I also address the
50 System's current rates and Aqua Illinois' proposed consolidation of MSWC into Aqua's
51 Consolidated Water Division. Finally, I address Aqua Illinois' proposal to apply its most
52 current Rules, Regulations and Conditions of Service as approved by the Commission in
53 Aqua Illinois' last rate case, Docket No. 11-0436. Concurrently with my testimony,
54 Aqua is filing the testimony of Mr. Paul Hanley, Aqua Ex. 2.0, who discusses rate base
55 and accounting entries.

56 **Q. Are you sponsoring any exhibits with your direct testimony?**

57 A. Yes. I am sponsoring the following exhibits:

- 58 • Aqua Exhibit 1.1 – Map and legal description of certificated area;
- 59 • Aqua Exhibit 1.2 – Service list of municipalities;
- 60 • Aqua Exhibit 1.3 – Proposed tariff sheets;
- 61 • Aqua Exhibit 1.4 – Asset Purchase Agreement;
- 62 • Aqua Exhibit 1.5 – October 2013 Bankruptcy Court Order;
- 63 • Aqua Exhibit 1.6 – Order from ICC Docket No. 01-0488/01-0490 (consolidated);
- 64 • Aqua Exhibit 1.7 – ICC Order from Docket No. 97-0605.

65 **III. HISTORY OF THE COMPANY**

66 **Q. Would you please give a brief history of Aqua Illinois?**

67 A. Aqua Illinois is a wholly-owned subsidiary of Aqua America, Inc. ("Aqua America").
68 Aqua America acquired ownership of Aqua Illinois under a merger agreement, pursuant
69 to which all of the outstanding common shares of Aqua Illinois were acquired by a
70 wholly-owned subsidiary of Aqua America. At that time, Aqua Illinois' name was

71 Consumers Illinois Water Company and Aqua America's name was Philadelphia
72 Suburban Corporation. The Commission approved the merger in Docket No. 98-0602,
73 and the transaction closed on March 10, 1999. In 2004, the names of the companies
74 changed to Aqua Illinois, Inc. and Aqua America, Inc., respectively. Since 1999, Aqua
75 Illinois has successfully expanded its operations in Illinois by acquiring the assets of
76 various companies and/or municipal water districts.

77 **Q. How are the Company's operations organized?**

78 A. Aqua Illinois consists of seven tariff areas, serving more than 62,000 customers in ten
79 counties. As a result of certain consolidations approved by the Commission in Docket
80 No. 11-0436, individual tariff areas are no longer defined by geographic boundaries, but
81 by cost of service and the resulting rates charged to the respective customers for water
82 and/or wastewater services provided. Aqua Illinois maintains regional offices in
83 Kankakee, Danville, and Wauconda, Illinois.

84 **Q. Would you comment on Aqua Illinois' ability to provide service to the area served
85 by MSWC?**

86 A. Yes. MSWC is located within the municipal boundaries of the City of McHenry in
87 McHenry County, Illinois. Aqua Illinois has the technical, financial and managerial
88 ability to operate and maintain the MSWC water system assets and anticipates doing so
89 out of its Wauconda, Illinois office. Aqua Illinois currently provides service to
90 approximately 56,000 water customers and 6,000 sewer customers throughout Illinois.
91 Allowing Aqua Illinois to provide water service in the McHenry Shores Subdivision will
92 not impose a significant financial or other burden on Aqua Illinois or its existing
93 customers.

94 **Q. Would you please describe Aqua Illinois' experience in acquiring and incorporating**
95 **water and/or wastewater systems into the Company's existing operations?**

96 A. The Company has been involved in a number of transactions since it obtained
97 Commission approval to operate in Illinois in 1998. These transactions include:

98 ○ In 1999, the Company acquired from the Village of Bradley, in Kankakee County,
99 its transmission and distribution facilities serving approximately 1,600 customers
100 that Aqua Illinois already served through bulk water sales.

101 ○ In 1999, Aqua Illinois also acquired the assets of the Calumet Gardens
102 Subdivision in rural Crete Township from Will County. In that situation, Will
103 County had assumed ownership and oversight of the system from a private
104 owner/operator who was failing to comply with various laws and regulations
105 (Docket No. 98-0753). Aqua Illinois accepted the system at the request of Will
106 County and now operates both the water and sewer systems in Calumet Gardens
107 in compliance with regulatory standards despite years of neglect under the
108 previous owners' ownership and operation.

109 ○ In 2001, the Company acquired from the Village of Aroma Park in Kankakee
110 County its transmission and distribution facilities serving approximately 600
111 customers that the Company was already serving through bulk water sales.

112 ○ In 2002, the Company acquired the water and sewer assets from the Ivanhoe
113 Country Club in Lake County, which served 176 customers with both water and
114 sewer services.

115 ○ In 2002, the Company acquired the water and wastewater assets from the Rest
116 Haven Illiana Christian Convalescent Home in Will County, consisting of a sewer
117 collection system, two water wells and the related distribution system, which

- 118 served 76 customers.
- 119 ○ In 2003, the Company acquired from the Village of Grant Park in Kankakee
120 County its water transmission, distribution, treatment and well facilities serving
121 560 customers.
- 122 ○ In 2004, the Company acquired from Lake Bayou Inc., the water utility assets of
123 the Oakview water system, serving 106 customers in Joliet Township of Will
124 County at the request of the Commission, the Illinois Environmental Protection
125 Agency (“IEPA”), and the Illinois Attorney General. Similar to the Calumet
126 Gardens acquisition, Aqua Illinois was asked to take over this water system due to
127 continuous boil water orders and a total lack of water in the distribution system
128 during various times of the day. The customers in this water system now enjoy
129 high quality water, reliable service and improved customer service.
- 130 ○ In 2004, the Company entered into an agreement with the Village of Hawthorn
131 Woods and Toll IL HWCC, L.P. to provide water and wastewater services to a
132 proposed new development referred to as the Hawthorn Woods Country Club,
133 located within the Village of Hawthorn Woods in Lake County. Once fully built-
134 out, the development will serve 694 customers. Aqua currently serves 462 water
135 customers and 423 sewer customers therein.
- 136 ○ In 2006, the Company acquired the water and distribution assets of the Village of
137 Philo in Vermilion County consisting of approximately 560 water customers.
- 138 ○ In 2006, the Company acquired from Concord at Ravenna L.L.C. in the Village of
139 Long Grove, in Lake County, its transmission and distribution and water
140 treatment and well facilities. The new development is referred to as Ravenna.
141 Once fully built-out, the new development will serve 133 water customers. Aqua

- 142 Illinois currently serves 54 customers in this area.
- 143 ○ In 2007, the Company purchased the water system assets from the Village of
144 Manteno consisting of approximately 3,700 customers and extended its surface
145 water source to the northernmost areas of Kankakee County.
- 146 ○ In 2007, the Company acquired from the Village of Sun River Terrace in
147 Kankakee County its transmission, distribution, water treatment, and well
148 facilities. The system serves 160 water customers.
- 149 ○ In 2010, Aqua Illinois acquired the water treatment and distribution system assets
150 of Fairhaven Estates Subdivision from Northern Illinois Investment Group. This
151 87-customer water system is located in unincorporated Lake County adjacent to
152 the Village of Barrington.
- 153 ○ Also in 2010, Aqua Illinois acquired the wastewater collection and treatment
154 system assets of Ellwood Greens from the Ellwood Greens Utility Corporation.
155 This 240-customer wastewater system is located unincorporated DeKalb County
156 near the City of Genoa.
- 157 ○ In 2012, the Company acquired through a judicial sale auction the foreclosed
158 assets of the Moecherville Water District in Aurora Township, Kane County.
159 Aqua Illinois purchased the distribution system, water treatment, and well
160 facilities. The system serves 370 water customers.
- 161 ○ In 2012, the Company acquired from the Village of Bourbonnais in Kankakee
162 County its sewer collection system and lift station pumping facilities serving the
163 Tri-Star Estates manufactured home community. The system serves 425 sewer
164 customers.
- 165 ○ In 2013, the Company received Commission approval to acquire the assets of

166 Woodlawn Utilities Corporation, Woodlawn Utilities Corporation – Sheridan
167 Grove, and the Nordic Park Water & Sewerage Disposal Co., Inc. The
168 combination of utilities serves 380 water and sewer customers throughout Ogle
169 and Winnebago Counties. The Company expects to complete this acquisition in
170 November of 2013.

171 ○ In 2013, the Company received Commission approval to acquire the wastewater
172 assets of the Village of Sun River Terrace located in Kankakee County. This 162
173 customer system includes the collection and treatment of the Village’s
174 wastewater. The Company expects to complete this acquisition in November of
175 2013.

176 **Q. How does this information relate to the Company’s proposal to operate the MSWC**
177 **water system (“System”)?**

178 A. It demonstrates that Aqua Illinois has an extensive and proven track record in the
179 acquisition, operation, and management of water and/or wastewater systems of all sizes
180 and financial condition throughout the state. Moreover, Aqua has had considerable
181 success in rehabilitating troubled systems, which is directly relevant in the case of
182 MSWC. MSWC has a history of violations and regulatory deficiencies, as reflected in
183 Aqua Exs. 1.6 and 1.7. MSWC is financially unstable, operating consistently with
184 negative cash flows, and property taxes have not been paid for several years (*See e.g.*
185 *Aqua Ex. 1.5, Bankruptcy Order*). Researching MSWC through ICC dockets dating back
186 to at least 1997, there is an abundance of evidence to demonstrate the utility has a history
187 of non-compliance with the rules and regulations governing private utilities and has
188 routinely failed to comply with requirements set forth in Commission Orders. Aqua
189 Illinois has the managerial, financial and technical ability to bring financial and

190 operational stability to MSWC.

191 **Q. Please discuss the terms under which Aqua has agreed to purchase the System.**

192 A. On June 1, 2011, Thomas P. Mathews, who then owned 100% of MSWC's shares, filed
193 jointly with Lois Mathews, for Chapter 11 bankruptcy protection in the United States
194 Bankruptcy Court for the Northern District of Illinois. On May 30, 2013, the case was
195 moved to a Chapter 7 proceeding, Case #11-B-82530. Consequently, MSWC's assets are
196 in the process of being liquidated to generate funds to pay creditors. As part of that
197 process, Aqua bid on the MSWC System and was ultimately the successful bidder for a
198 purchase price of \$427,000. On June 27, 2013, the Trustee entered into an APA with
199 Aqua, which is attached hereto as Aqua Ex. 1.4. On October 2, 2013, the Bankruptcy
200 Court authorized the Trustee to exercise the bankruptcy estate's rights as holder of all the
201 outstanding shares of MSWC to allow the corporation to enter into the APA with Aqua,
202 as reflected in Aqua Ex. 1.5. Accordingly, on October 23, 2013, Aqua filed its petition
203 with the Commission that initiated this docket. Aqua is seeking Commission approval of
204 the APA, issuance of a Certificate of Public Convenience and Necessity, and the issuance
205 of an order approving rates, accounting entries, and tariff language.

206 **IV. FACILITIES AND AREA OF CERTIFICATE**

207 **Q. Pursuant to the APA, what assets is Aqua Illinois seeking to acquire?**

208 A. Aqua Illinois will acquire substantially all of the assets of MSWC; the complete list is
209 shown in Aqua Ex. 1.4.

210 **Q. Would you please describe the operations and assets of MSWC?**

211 A. MSWC currently serves approximately 534 water customers in the McHenry Shores
212 Subdivision located in the City of McHenry, McHenry County, Illinois. The production
213 facilities, which are listed in full in Aqua Ex. 1.4, include two potable water wells, one

214 2,000 gallon hydro-pneumatic storage tank, a 100,000 gallon elevated storage tank, 26
215 hydrants, and 36,000 feet of 4", 6", and 8" water main pipe. Metering appears to consist
216 entirely of 5/8" residential meters. The average daily pumpage is approximately 108,000
217 gallons. The proposed certificated area is attached as Aqua Ex. 1.1.

218 **Q. Please describe the capital improvements proposed by Aqua.**

219 A. MSWC's system is in need of a number of improvements, which the Commission has
220 been aware of since at least 1997, as reflected in its citation orders in Docket Nos. 01-
221 0488/01-0490 (consolidated) and 97-0605, attached hereto as Aqua Exs. 1.6 and 1.7.
222 Aqua plans to invest more than \$1 million in the MSWC System within the first year of
223 operation and \$1.3 million over the first five years of owning the System. Much of the
224 System distribution piping is asbestos-cement (transite) main located in the backyards of
225 residential properties. It is unclear how much unaccounted for water is being lost
226 because detailed information on metered accounts has not been made available to Aqua.
227 Aqua plans to make the following investments and upgrades to the System, for which it
228 seeks Commission approval:

- 229 • \$180,000 in water main replacements within the first five years.
- 230 • Refurbish the 100,000 gallon elevated storage tank in order to bring the tank up to
231 Aqua standards within the first year of operation, at an estimated cost of \$250,000.
- 232 • Construct facilities to remove iron from the finished water to improve the quality of
233 water distributed to customers, the cost of which is estimated at \$300,000.
- 234 • Because past Illinois Environmental Protection Agency inspection reports have listed
235 emergency generation and alarms as needs in the System, Aqua plans to install on-site
236 emergency power generation to ensure reliable service to customers. Aqua has
237 budgeted \$60,000 to install a generator and tie MSWC into Aqua's supervisory

238 control and data acquisition (SCADA) system so system failures can be addressed in
 239 a timely manner.

240 • Finally, Aqua plans to replace all meters in the System with new units capable of
 241 being read remotely. Aqua has not been able to obtain information on the metering
 242 assets of MSWC, but there is considerable concern that there are a significant number
 243 of unmetered properties within the development. Aqua has budgeted \$95,000 to
 244 update the System’s meters.

245 Table 1, below, details Aqua’s proposed investment in the System: :

ITEM	2014	2015	2016	2017	2018
Main Breaks	5,000	10,000	10,000	10,000	10,000
Valves and Hydrants	40,000	5,000	5,000	5,000	5,000
Service Renewals	10,000	5,000	5,000	5,000	5,000
Tank Painting	250,000				
Tank Improvements	30,000				
Security	20,000	5,000	5,000		
Building Improvements	60,000	5,000	5,000	5,000	5,000
Iron Removal	300,000				
Generator	50,000				
Meters	95,625				
Meter Sets	75,000				
SCADA	10,000				
Main Replacement	80,000			100,000	
Capital Improvements - Other	10,000	8,000	9,000	15,000	16,000
TOTAL CAPITAL ADDITIONS	1,035,625	38,000	39,000	140,000	41,000

246

247 **Table 1**

248 Accordingly, Aqua requests Commission approval to make expenditures for these
 249 necessary improvements to the MSWD System.

250 **Q. Will MSWC continue to provide any utility services in the Certificated Area if the**
 251 **Acquisition is approved?**

252 A. No. In its Petition, both Aqua and the Trustee jointly request that the Commission order
 253 MSWC to permanently abandon water service in the area. Thus, once the Acquisition is
 254 approved and closes, MSWC will no longer own water system assets within the McHenry

255 Shores Subdivision and Aqua will be the sole provider of water service to those
256 customers.

257 **Q. Are you aware of any other entities which could provide service to MSWC?**

258 A. Yes. The City of McHenry has expressed interest in MSWC and is capable of serving the
259 customers with certain capital improvements; however, Aqua's bid of \$427,000 in the
260 foreclosure proceedings for the System's assets was the only bid accepted. In the time
261 since the bidding process, Aqua has been in contact with McHenry officials, who have
262 collaborated with Aqua regarding how to improve service to those customers. Although
263 Aqua is not aware of any other entity that has expressed interest in providing service to
264 MSWC, Aqua has served notice of this proceeding on all other municipalities located
265 partly or wholly within the MSWC area, or with a corporate boundary within one and one
266 half miles of the area, as evidenced by Aqua Ex. 1.2. Thus, each municipality is aware of
267 Aqua Illinois' desire to acquire and maintain and operate the System.

268 **Q. Does Aqua Illinois seek to certificate the same boundaries that MSWC currently**
269 **holds a certificate for?**

270 A. The current boundaries of the MSWC certificate are encompassed within Aqua's
271 proposed certificate; however, Aqua, in consultation with Staff of the Commission, has
272 simplified the certificate by slightly expanding the boundaries to align with existing
273 section lines. Aqua has attached a map of the proposed area to be certificated as Aqua
274 Ex. 1.1.

275 **V. RATE BASE**

276 **Q. Was Aqua able to obtain sufficient documentation to justify a rate base consistent**
277 **with the assets it is describing in this acquisition filing?**

278 A. Not completely. Aqua questions the credibility and accuracy of the available records
279 detailing the asset history of the system. Notwithstanding, Aqua was able to arrive at a
280 reasonable purchase price through the bankruptcy proceeding, as confirmed by the
281 Bankruptcy Court’s October 2, 2013 Order, attached hereto as Aqua Ex. 1.5.

282 Q. **Do you believe the purchase price is fair and reasonable?**

283 A. Yes. Based upon my experience in negotiating similar transactions, the purchase price is
284 reasonable.

285 Q. **Is there evidence to support that the court-approved purchase price is appropriate
286 to justify rate base?**

287 A. Yes. In Consolidated Docket No. 01-0488/01-0490 (the “IAWC Docket”), Illinois
288 American Water Company (“IAWC”) petitioned the Commission to acquire MSWC.
289 There, the Commission held that MSWC was not a “capable public utility” pursuant to
290 Section 4-502 of the Public Utilities Act and held that an acquisition of MSWC by a
291 capable utility was necessary to cure MSWC’s regulatory deficiencies. In so ordering,
292 the Commission determined that the original cost of plant in service for utility accounting
293 and ratemaking purposes should be the purchase price as approved by the Commission or
294 through a court proceeding.

295 Through the bankruptcy proceeding involving MSWC, evidence was presented to
296 the court in support of the \$427,000 acquisition purchase price. Testimony was provided
297 by the Manager of Water Utilities for the Commission in support of the purchase, and the
298 Bankruptcy Court ultimately upheld the purchase price despite objections by the Debtor,
299 Mr. Thomas Mathews.

300 The rate base per customer, as shown in Table 2 below, is very favorable when
 301 compared to other Aqua water systems in Illinois. This will allow Aqua to invest the
 302 necessary capital to improve the system while maintaining a rate base per customer of
 303 \$2,740, which is very close to the statewide water rate base per customer of \$2,440.

	MSWC	KANKAKEE	CONSOLIDATED	UNIVERSITY	CANDLEWICK
	WATER	WATER	WATER	PARK	FAIRHAVEN
	WATER	WATER	WATER	WATER	WATER
Customers	535	28,877	23,278	2,440	1,894
Rate Base	427,000	71,560,723	57,763,859	5,936,120	2,577,489
Rate Base / Customer	\$798	\$2,478	\$2,481	\$2,433	\$1,361

304

305 **Table 2**

306 The determination of rate base and the supporting schedules are further discussed in the
 307 testimony of Paul Hanley, Aqua Ex. 2.0.

308 **Q. Do you know why IAWC did not ultimately acquire MSWD?**

309 **A.** No. For reasons I do not know, and despite receiving Commission approval, IAWC did
 310 not acquire MSWC.

311 **Q. Were there any other findings in the IAWC Docket that you believe should apply to**
 312 **Aqua's acquisition of MSWC?**

313 **A.** Yes. The Commission made several findings in that proceeding that Aqua proposes it
 314 similarly adopt here, including:

- 315 • Hold that any acquisition adjustment should be amortized above the line over a 20-
 316 year period.
- 317 • Authorize Aqua, in all future rate proceedings within the 20-year period, to include
 318 both the return of and the return on Utility Plant Acquisition Adjustments in rates.
- 319 • For purposes of rates, billing, and rules and regulations, consolidate MSWD with
 320 Aqua's Consolidated Water Division (discussed in more detail below).

- 321 • Determine that the current depreciation rates for the Aqua’s consolidated water district
322 apply to MSWC.

323 **VI. APPLICATION OF RATES AND RULES AND REGULATIONS OF SERVICE**

324 **Q. What rates and charges are currently in effect for the System?**

325 A. Customers are currently assessed a \$6 monthly customer charge, based on a 5/8” meter,
326 along with a consumptive rate of \$1.93 per 1,000 gallons of usage. The average
327 residential bill ranges from \$15 - \$20.

328 **Q. What rates and charges does Aqua Illinois propose to implement for the System?**

329 A. Aqua Illinois is proposing to consolidate MSWC with Aqua Illinois’ Consolidated Water
330 Division (ILL. C.C. No. 49, section 2). Based on Aqua Illinois’ Commission-approved
331 rates currently in effect, Aqua Illinois projects the average monthly residential customer
332 bill in MSWC based on 4,500 gallons of consumption will be approximately \$45.00.

333 **Q. Is there precedent to support consolidation of an acquired utility into an existing
334 consolidated rate zone outside of a formal rate case?**

335 A. Yes. Aqua has been successful in consolidating several systems at the time of
336 acquisition, including the Moecherville Water System (Docket No. 12-0467), the Tri-Star
337 Estates Sewer System (Docket No. 12-0219), and most recently, the Sun River Terrace
338 Sewer System (Docket No. 13-0308). Further, the Commission previously supported and
339 ordered in the IAWC Docket that the customers of MSWC be consolidated and placed on
340 IAWC’s Chicago Metro Division rates. I believe the purchase price, along with the
341 immediate and substantial capital improvements that are planned, justifies consolidation
342 of MSWC customers with the Aqua Illinois’ Consolidated Water Division.

343 **Q. What “Miscellaneous Charges” does Aqua Illinois propose to adopt for MSWC?**

344 A. Aqua Illinois proposes the Commission adopt its existing, Commission-approved
345 miscellaneous charges, return check charges, late payment fees, state add-on taxes and
346 other fees, consistent with its other divisions throughout Illinois. Such charges are set
347 forth in the proposed tariff sheets attached hereto as Aqua Ex. 1.3. The existing
348 miscellaneous charges are already in place in Aqua Illinois' consolidated division, and
349 would therefore also be applicable to MSWC.

350 **Q. Please explain why Aqua Illinois' proposal to apply its existing, Commission-**
351 **approved miscellaneous charges is reasonable.**

352 A. At present, Aqua Illinois' existing miscellaneous charges are consistent throughout all of
353 Aqua's systems in the state. The Company, Commission Staff and the Commission are
354 all familiar with Aqua Illinois' fees currently established and in place. Moreover, Aqua
355 Illinois sees no need to impose different miscellaneous charges for this System.
356 Maintaining uniform miscellaneous charges will simplify the transition of new customers
357 into the greater Aqua Illinois system and will also result in increased efficiencies, fewer
358 ambiguities, and more consistent customer service.

359 **Q. Is Aqua proposing to apply any existing riders to MSWC customers?**

360 A. Yes. In light of the significant capital improvements to the System that will be necessary
361 over the first five years, Aqua is proposing to apply its Qualifying Infrastructure Plant
362 Surcharge ("QIPS") Rider to all water service customers in the MCWC System, as
363 indicated in the proposed tariff sheets included in Aqua Ex. 1.3.

364 **Q. Is Aqua proposing a public fire protection charge for MSWC?**

365 A. No.

366 **Q. What rules and regulations will apply to customers in the Systems to be acquired?**

367 A. Aqua Illinois proposes to incorporate the MSWC System into its current Rules,

368 Regulations and Conditions of Service on file with the Commission, ILL. C.C. 49,
369 Section 1 and ILL. C.C. 50, Section 1. Because these Rules, Regulations and Conditions
370 of Service are already in place for the Consolidated Division, they would also apply to
371 MSWC. By adopting this proposal, the existing rules and regulations applicable to
372 MSWC customers will cease to exist once the Commission enters its final Order in this
373 proceeding.

374 **Q. Does Aqua Illinois intend to file revised tariff sheets to include the newly acquired**
375 **System in the Company's Rules, Regulations, and Conditions of Service?**

376 A. Yes. Included in Aqua Exhibit 1.3 is the revised ILL. C.C. 49 Section 1 Proposed Cover
377 Page, which suggests the changes necessary to incorporate MSWC into Aqua Illinois'
378 current Rules, Regulations, and Conditions of Service. Also included is a revised ILL.
379 C.C. 49 Proposed Title Sheet and Table of Contents.

380 **Q. Will Aqua remain subject to all applicable laws, rules, regulations, and decisions**
381 **and policies governing the regulation of Illinois public utilities?**

382 A. Yes.

383 **Q. Does this conclude your Direct Testimony?**

384 A. Yes.