

Direct Testimony
of
Sheena Kight-Garlich
Finance Department
Financial Analysis Division
Illinois Commerce Commission

Aqua Illinois, Inc.
Petition for the Extension of a Certificate
of Public Convenience and Necessity in
Lake County, Illinois; and for the Issuance
of an Order approving Rates, Accounting
Entries, and Tariff Language

Docket No. 15-0430

November 10, 2015

1 **Q1. Please state your name and business address.**

2 A1. My name is Sheena Kight-Garlich. My business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4 **Q2. What is your current position with the Illinois Commerce Commission**
5 **(“Commission”)?**

6 A2. I am a Senior Financial Analyst in the Finance Department of the Financial
7 Analysis Division.

8 **Q3. Please describe your qualifications and background.**

9 A3. I received a Bachelor of Business degree in Finance and Marketing from
10 Western Illinois University in Macomb, Illinois in May of 1998. I also earned a
11 Master of Business Administration degree, with a concentration in Finance, from
12 Western Illinois University in May of 2001. I have been employed by the
13 Commission since January of 2001. I was promoted to Senior Financial Analyst
14 on October 1, 2004.

15 **Q4. Please state the purpose of your testimony in this proceeding.**

16 A4. On July 21, 2015, Aqua Illinois, Inc. (“Aqua” or the “Company”) filed a petition for
17 the issuance of a certificate of public convenience and necessity to construct,
18 operate, and maintain water and sewer distribution systems in portions of Lake
19 County, Illinois (“Expanded Area”) pursuant to Section 8-406 of the Illinois Public
20 Utilities Act (“Act”). The purpose of my testimony is to present my evaluation of
21 the financial implications of the proposed expansion under Section 8-406(b)(3) of
22 the Act.

23 **Q5. What does Section 8-406(b)(3) of the Act require?**

24 A5. Section 8-406(b)(3) of the Act requires that, before issuing the requested
25 certificate of public convenience and necessity, the Commission find “that the
26 utility is capable of financing the proposed construction without significant
27 adverse financial consequences for the utility or its customers.” 220 ILCS 5/8-
28 406(b)(3).

29 **Q6. Please describe the Company’s proposal.**

30 A6. The Company proposes to construct, operate, and maintain a water distribution
31 system in areas of Lake County Illinois as well as a wastewater collection system
32 in some of those areas. To do so, Aqua proposes to expand the current
33 Hawthorn Woods certificated area to include the new areas (“Expanded Area”).
34 The proposed Expanded Area is adjacent to the Hawthorn Woods service area
35 and encompasses the Ivanhoe Water System service area, for which Aqua
36 already is certificated to provide service. (Verified Petition, 1-2.)

37 **Q7. Would the Company be capable of financing the proposed expansion**
38 **without significant adverse financial consequences for the Company or its**
39 **customers?**

40 A7. Yes. It is my understanding that there are no immediate plans for development
41 in the Expanded Area. Further, Aqua expects any future costs that may be
42 needed will be minimal because the “majority of any main extension costs would
43 be funded by developer advances and the extension facilities would be provided
44 as contributions in aid of construction in accordance with Aqua’s applicable main
45 extension rules.” (Aqua 2nd Supp. Resp. to Staff DR SK 1.01.) This is consistent
46 with the Commission’s standard main extension rules that limits a utility’s cost to
47 provide service to new customers who immediately attach to an extension to one
48 and one-half times the utility’s estimate of annual revenues to be received from

49 those new customers. (83 Ill. Adm. Code 600.370(b)(3)). Further, Aqua would
50 immediately begin to collect revenues from future customers upon connection to
51 the main extensions. Thus, no material construction costs would likely be
52 required from Aqua to serve the proposed Expanded Area.

53 Additionally, Aqua's utility plant had a net value of \$305,909,092 as of December
54 31, 2014; its total utility operating revenue for the twelve months ended
55 December 31, 2014, was \$49,473,030. (Aqua Illinois, Inc. Form 22 ILCC,
56 December 31, 2014, 4F and 7F.) Furthermore, the Company is a subsidiary of
57 Aqua America, Inc. and, thus, is backed by the financial resources of a
58 corporation that has annual revenues of approximately \$780 million, assets of
59 over \$5.4 billion, and annual capital expenditures of over \$325 million. (Aqua
60 America 2014 Annual Report, 2 and 8.) Therefore, I conclude that, while there is
61 no immediate proposed construction in the Expanded Area, the Company is
62 capable of financing the relatively minimal future investment that may be needed
63 in the Expanded Area without significant adverse financial consequences for the
64 utility or its customers.

65 **Q8. What is your recommendation?**

66 A8. In my judgment, Aqua has met the requirement of Section 8-406(b)(3) of the Act.
67 Therefore, I recommend the Commission find that the Company is capable of
68 financing the proposed extension without significant adverse financial
69 consequences for the utility or its customers.

70 **Q9. Does this conclude your prepared direct testimony?**

71 A9. Yes.