

DIRECT TESTIMONY  
OF  
DIANNA HATHHORN

Accountant  
Accounting 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 THE RATES, ACCOUNTING ENTRIES, AND TARIFF  
LANGUAGE

DOCKET NO. 15-0430

November 10, 2015

1 **Witness and Schedule Identification**

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

3 A. My name is Dianna Hathorn. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5

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

7 A. I am an Accountant in the Accounting Department of the Financial Analysis  
8 Division of the Illinois Commerce Commission ("Commission").

9

10 **Q. Please discuss your educational and professional background.**

11 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting from  
12 Illinois State University in 1993. Prior to joining the Commission Staff ("Staff") in  
13 1998, I worked as an internal auditor for another Illinois state agency for  
14 approximately three and a half years. I also have one and a half years  
15 experience in public accounting for a national firm.

16

17 **Q. Have you previously testified before the Illinois Commerce Commission?**

18 A. Yes, I have previously testified before the Commission on numerous issues  
19 related to my duties.

20

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to report the results of my review of Aqua Illinois,  
23 Inc.'s ("Aqua" or "Company") petition and testimony as well as the underlying  
24 documents which support the Company's testimony and the accompanying  
25 accounting entries to record the legal costs related to this proceeding incurred to  
26 date.

27

28 **Q. What issues will you address in your testimony?**

29 A. I will address the Company's request for the Company's proposed accounting for  
30 water and sewer facilities to be constructed in the Hawthorn Woods Expanded  
31 Area ("Expanded Area"). I also address the accounting for the Company's legal  
32 costs to acquire the Expanded Area incurred to date.

33

34 **Q. Are you sponsoring any schedules with your testimony?**

35 A. No.

36

37 **Accounting for Future Construction of Utility Facilities in the**  
38 **Expanded Area**

39 **Q. Please describe Aqua's proposed accounting to record the appropriate**  
40 **cost of water and sewer facilities to be constructed in the Expanded Area.**

41 A. Aqua proposes to record the actual cost of construction of water and sewer  
42 facilities in the Expanded Area in the applicable Utility Plant in Service Accounts  
43 (Account 101). Aqua also proposes to record any contributions or deposits for the

44 construction of the facilities as contributions in aid of construction in Account 271  
45 – Contributions in Aid of Construction. Aqua states that this treatment is in  
46 accordance with the Uniform System of Accounts (“USOA”) for Water Utilities,  
47 codified as 83 Ill. Adm. Code 605, and the USOA for Sewer Utilities, codified as  
48 83 Ill. Adm. Code 650. (Aqua Ex. 1.0, 7: 135-143.). At this time, however, the  
49 Company has no proposed developer extensions in the Expanded Area, so there  
50 are presently no journal entries for facilities’ construction costs to consider.  
51 (Company Response to Staff Data Request SK 1.01.)  
52

53 **Q. Do you have any issues with the accounting treatment proposed by Aqua**  
54 **to record the future construction of water and sewer facilities in the**  
55 **Expanded Area?**

56 A. No. The proposed accounting treatment is in accordance with the USOA.  
57 Assuming other requirements for the project are met, I recommend the  
58 Commission accept the accounting treatment proposed by Aqua to record the  
59 costs of future construction of water and sewer facilities associated with  
60 developer extensions in the Expanded Area. I note that, since no actual costs for  
61 facilities’ construction have been incurred, the Commission has no information on  
62 which to make a determination concerning the prudence or reasonableness of  
63 any costs. The regulatory treatment of construction costs of future, unidentified  
64 water and sewer facilities cannot be considered in this proceeding but should be  
65 determined in future proceedings after such costs have been incurred.  
66

67 **Q. Please describe Aqua's proposed accounting for legal costs incurred to**  
68 **date to acquire the Expanded Area.**

69 A. Aqua proposes to record legal costs associated with filing the Verified Petition to  
70 initiate this proceeding to 2015 expense accounts. Aqua proposes to use  
71 Account 667 Regulatory Commission Expenses-Other to record half of the costs  
72 allocated to water operations and to use Account 733 Contractual Services-Legal  
73 to record the other half of the costs allocated to sewer operations. The Company  
74 provided invoices for costs incurred to date. (Company Response to Staff Data  
75 Request DLH 1.01 CONF.)

76

77 **Q. Do you have any issues with Aqua's proposed accounting for legal costs to**  
78 **acquire the Expanded Area?**

79 A. No. The proposed accounting treatment to expense these costs in 2015 is in  
80 accordance with the USOA. I have reviewed the invoices for the costs incurred  
81 to date and determined there is nothing to indicate that any of these costs were  
82 not related to the acquisition of the Expanded Area. If additional legal costs  
83 related to the Expanded Area are incurred, those costs should also be recorded  
84 to the same expense accounts in the period incurred.

85

## 86 **Conclusion**

87 **Q. Does this conclude your prepared direct testimony?**

88 A. Yes, it does.