

DIRECT TESTIMONY

of

Sheena Kight-Garlich

Finance Department

Financial Analysis Division

Illinois Commerce Commission

Illinois-American Water Company

Petition for Issuance of a Certificate of Public Convenience and Necessity to Provide Water Service to Areas in LaSalle County, Illinois, and for the Approval of the Purchase of Certain Assets of the Village of Ransom Water System, in Accordance with Section 8-406 of the Illinois Public Utilities Act.

Docket No. 15-0544

January 20, 2016

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, IL 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 Western
10 Illinois University in Macomb, Illinois in May of 1998. I also earned a Master of
11 Business Administration degree, with a concentration in Finance, from Western
12 Illinois University in May of 2001. I have been employed by the Commission since
13 January of 2001. I was promoted to Senior Financial Analyst on October 1, 2004.
14 I have previously testified before the Commission on a variety of financial issues.

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

16 A4. On September 28, 2015, Illinois-American Water Company (“IAWC” or the
17 “Company”) filed an application for a certificate of public convenience and
18 necessity to provide water service to the areas now served by the Village of
19 Ransom in LaSalle County, Illinois and for the approval of the purchase of certain
20 assets of the Village of Ransom’s water system (“Application”). The purpose of
21 my testimony is to present my evaluation of the Company’s capacity to complete
22 the proposed transaction in accordance with the requirements of Section 8-
23 406(b)(3) of the Illinois Public Utilities Act (“Act”).

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

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

29 **Q6. Please describe the estimated cost of the proposed transaction.**

30 A6. The total cost of the proposed transaction is approximately \$2.25 million. The total
31 cost is comprised of \$175,000 to purchase substantially all of the Village of
32 Ransom’s water distribution assets, \$53,906 in appraisal costs, and \$2.02 million
33 for a new transmission main to be built post-acquisition. (Application, 2-3; IAWC
34 Ex. 2.00, 5-6; IAWC Resp. to Staff DR SK 1.01.)

35 **Q7. In your opinion, is the Company capable of financing the proposed**
36 **transaction without significant adverse financial consequences for the**
37 **Company or its customers?**

38 A7. Yes. The Company expects the proposed transaction to be financed through
39 internally generated funds. (IAWC Resp. to Staff DR SK 1.03) The total cost of
40 the proposed transaction is very small relative to IAWC’s total utility plant,
41 operating revenue, and average capital investment. The \$2.25 million total cost
42 represents 0.21% of the Company’s \$1.05 billion net utility plant; 0.88% of the
43 Company’s \$255 million total utility operating revenue for the twelve months ended
44 December 31, 2014; and approximately 2.81% of the more than \$80 million
45 average annual capital investment that IAWC has made in the last five years.
46 (IAWC’s 2014 Form 22 ILCC; IAWC Resp. to Staff DR SK 2.03.) Moreover, IAWC
47 has the backing of its even larger and financially sound parent, American Water

48 Works, which has Standard & Poor's and Moody's issuer credit ratings of A and
49 A3, respectively, and a \$2 billion line of credit. (www.globalcreditportal.com,
50 January 11, 2016; www.moodys.com, January 11, 2016; IAWC Resp. to Staff DR
51 SK 2.01.) Therefore, I conclude that IAWC is capable of financing the proposed
52 transaction without significant adverse financial consequences for the Company or
53 its customers.

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

55 A8. In my judgment, IAWC has met the requirement of Section 8-406(b)(3) of the Act.
56 Therefore, I recommend the Commission find that the Company is capable of
57 financing the proposed transaction without significant adverse financial
58 consequences for the utility or its customers.

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

60 A9. Yes, it does.