

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

CITIZENS UTILITIES COMPANY OF ILLINOIS,)	
d/b/a Citizen Water Resources)	
)	
Petition for approval of water supply)	Docket No. 01-0553
agreements with the DuPage Water)	
Commission, for approval of a procedure)	
to recover the costs for water purchased)	
under the agreements and for other relief.)	

ORDER

By the Commission:

On August 16, 2001, Citizens Utilities Company of Illinois, d/b/a Citizens Water Resources (“Citizens” or “Petitioner”) filed its verified petition with the Illinois Commerce Commission (“Commission”) requesting approval, of (1) a Water Purchase and Sale Contract (“Agreement”) between Citizens and the DuPage Water Commission (the “DWC”), attached as Exhibit A to the petition, pursuant to which Citizens agrees to purchase from the DWC and the DWC agrees to sell to Citizens Lake Michigan water (subject to the terms and conditions of the Agreement) for Petitioner’s Liberty Ridge East service area (“Liberty Ridge”) in DuPage County; (2) a Water Storage, Transmission and Delivery Agreement (“Wheeling Agreement”) between the Village of Glen Ellyn (“Glen Ellyn”), Citizens and the DWC, attached as Exhibit B to the petition, pursuant to which Citizens will purchase water transmission and storage services from Glen Ellyn for the Liberty Ridge service area; (3) a procedure using Citizens’ existing tariff provisions,

attached as Exhibit C to the petition, to pass through to Citizens' customers the rates and charges to be paid by Citizens to the DWC and Glen Ellyn under the Agreement and Wheeling Agreement as part of the "DuPage County" Lake Michigan Water Supply Charges under Citizens' existing tariffs; and (4) such other relief as may be necessary or appropriate.

Pursuant to proper legal notice, this matter came on for hearing before a duly authorized Administrative Law Judge of the Commission at its offices in Chicago, Illinois on October 4, 2001. Citizens presented the testimony of Bob Khan, its Director of Engineering, in support of its petition. Roy A. King, a Water Engineer in the Water Department of the Commission's Financial Analysis Division, appeared on behalf of Staff. At the conclusion of the Hearing on October 4, 2001, the record was marked "Heard and Taken."

On _____, 2001, Citizens filed a Draft Proposed Order, with which Staff was in agreement.

Citizens is an Illinois corporation with its principal office in Woodridge, Illinois, and is a "public utility" within the meaning of Section 3-105 of the Illinois Public Utilities Act, 220 ILCS 5/3-105. Citizens provides water and/or sanitary sewer services to customers in Cook, DuPage, Will, Kane, Kendall, McHenry and Grundy Counties, Illinois, pursuant to certificates of public convenience and necessity issued by the Commission.

Mr. Khan explained that as part of its goal of providing high quality service to its customers, Citizens has an on-going objective of providing Lake Michigan water to all of its service areas in which Lake Michigan water is available. Lake Michigan water is a high

quality water supply source which meets all present state and federal drinking water standards and is perceived to be aesthetically superior to other water supply sources (i.e., well water). The existing well water supply is high in iron and hardness. The iron level is 2.7 mg/L and the hardness is 1040 mg/L as Calcium Carbonate. To treat this water to a comparable quality of Lake Michigan water would involve expensive treatment equipment and a higher operating and maintenance cost. The Agreements with the DWC and Glen Ellyn will allow Citizens to obtain and supply Lake Michigan water in Liberty Ridge.

Mr. Khan also testified that customers in the Liberty Ridge (East and West) service areas have been included in a survey concerning their desire to receive Lake Michigan water, in light of its additional costs. Approximately 60 percent of the customers responded to the survey, and 86 percent desired Lake Michigan water.

The terms of the DWC Agreement are substantially similar to agreements between Petitioner and the DWC for Citizens other service areas in DuPage County, which were approved by the Commission in Docket Nos. 92-0454/92-0455 and 99-0150. Under the terms of the Agreement, the DWC will charge Citizens for Lake Michigan water at a rate comprising the DWC's cost of purchasing Lake Michigan water plus a pro rata share of the operating and maintenance costs, certain fixed costs and other costs that the DWC incurs in securing and delivering Lake Michigan water to the Liberty Ridge system, as described more fully in the Agreement. The DWC Agreement includes conditions precedent that the Commission (1) approve the Agreement and (2) approve initial rates and tariffs sufficient to enable Citizens to comply with rate covenants set forth in the

Agreement, including the establishment of rates and charges which will enable Citizens to pay all amounts due to the DWC under the Agreement.

Citizens asserts that the Wheeling Agreement, which is also subject to Commission approval, was negotiated at arms length with Glen Ellyn, and will allow Citizens to provide Lake Michigan water to Liberty Ridge earlier, with less main required, and without the time and expense of finding a site, obtaining zoning approval, and designing and constructing approximately 50,000 gallons of additional storage capacity and a booster station in this service area. Citizens already has several wheeling agreements for delivery of Lake Michigan water from the DWC, the costs of which are included in charges recoverable under Petitioner's tariffs discussed below. Mr. Khan summarized and explained the major differences in flow, storage and pricing between the Glen Ellyn Wheeling Agreement and the similar agreement approved in Docket 99-0150.

Citizens has existing tariff schedules (Ill. C.C. No. 4, Sheets 41 and 42), copies of which were attached to the petition, which provide for a Lake Michigan Water Supply Charge to recover the cost of providing Lake Michigan water to Citizens' other customers in DuPage County who are already receiving Lake Michigan water purchased from the DWC. This Lake Michigan Water Supply Charge is necessary so that Citizens can be compensated for the incremental cost of providing Lake Michigan water to its customers.

The rate per thousand gallons of water charged by the DWC and Glen Ellyn to Citizens may change from time to time as allowed by the Agreements. Citizens' existing Purchased Water Price Adjustment Clause (Ill. C.C. No. 4, Sheets 43 and 44), copies of which were attached to the petition, is necessary so that Citizens can adjust the Lake

Michigan Water Supply Charge to reflect changes in the cost of purchased water as well as other changes permitted by the tariff.

Citizens proposes to treat all charges relating to providing Lake Michigan water to Liberty Ridge as part of the “DuPage County” provisions of its existing tariffs. Citizens does not presently anticipate any immediate changes in rates as a result of this conversion to Lake Michigan water, but would simply need to submit updated calculations of the Lake Michigan Water Supply Charges for “DuPage County” when changes are needed.

Citizens has received an allocation of Lake Michigan water for Liberty Ridge from the Illinois Department of Natural Resources, a copy of which was attached as Exhibit D to the petition.

Mr. Khan further testified that, in accordance with the DWC and Wheeling Agreements, Citizens will keep its existing well in the Derby Glen Subdivision on standby for use in emergencies. In addition, Citizens will seek the approval of Glen Ellyn prior to seeking the Commission’s approval of any future proposed expansion of the existing certificated Liberty Ridge service area. Finally, he explained that engineering plans for the construction of facilities necessary to receive Lake Michigan water in this service area have been completed and the necessary approvals are being obtained. The project is scheduled to be bid in October, 2001, with construction starting in November, 2001, and completion in December, 2001.

The Commission, having examined the verified petition and attached exhibits and the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Citizens Utilities Company of Illinois, d/b/a Citizens Water Resources, an Illinois corporation engaged in the business of furnishing water and sanitary sewer service in the State of Illinois, is a public utility within the meaning of Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over Citizens and the subject matter herein;
- (3) the recitals of fact herein set forth are supported by the evidence and are hereby adopted as findings of fact;
- (4) the Agreements between Citizens and the DWC and between Glen Ellyn, Citizens and the DWC attached as Exhibits A and B to the petition are reasonable and should be approved, and Petitioner should be authorized to do any and all things incidental, necessary or appropriate to performance of those agreements; and
- (5) Citizens' proposal to use its existing "DuPage County" tariff provisions for the Lake Michigan Water Supply Charge and Purchased Water Price Adjustment Clause to recover the costs of providing Lake Michigan water to Liberty Ridge is reasonable and should be approved.

IT IS THEREFORE ORDERED that approval of the Commission be, and hereby is granted for the two agreements between Citizens and the DuPage Water Commission and the Village of Glen Ellyn attached as Exhibits A and B to the petition, for the supply of Lake Michigan water to meet the full requirements of Citizens' Liberty Ridge service area.

IT IS FURTHER ORDERED that approval of the Commission be, and hereby is granted to Citizens to recover the costs incurred in providing Lake Michigan water to Liberty Ridge as part of the charges for “DuPage County,” utilizing Citizens existing tariff provisions for Lake Michigan Water Supply Charges and its Purchased Water Price Adjustment Clause.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission the _____ day of _____, 2001.

(SIGNED) RICHARD L. MATHIAS

Chairman

(S E A L)