

ILLINOIS COMMERCE
COMMISSION
2016 APR 26 A 11:06
CHIEF CLERK'S OFFICE

Aqua Illinois, Inc.
1000 S. Schuyler Avenue
Kankakee, Illinois 60901

April 20, 2016

Elizabeth A. Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Re: Docket No. 15-0465 – Golf Greenwood Gardens Water System Accounting
Entry

Dear Ms. Rolando:

Per the Findings and Ordering Paragraphs V., (11) of the Order in Docket No. 15-0465, Aqua Illinois, Inc. has recorded the acquisition of the Golf Greenwood Gardens Water System. I have attached a copy of the entry to record the acquisitions. If you have any further questions, I can be reached at 815.614.2033.

Sincerely,



Paul Hanley
Controller
Aqua Illinois, Inc.

Journal Status Posting Date Reference
GL N Released 03/31/16
30-00 GolfGreenwoowGarden Acq
Hold Code Hold Removal Operator
Transaction Date 04/04/16
Fiscal Year 2016
Period 3
Operator bakerb
Reverse No
Reverse Pd
Journal Book

Line	Account	Activity	Ref	SC Rvs	Debit	Credit
1	365	300000-0000		JE	54,173.00	
PPE-Utility Plant in Servic GolfGreenwoowGarden Acq						
2	365	108000-0000		JE		16,782.00
AD-General GolfGreenwoowGarden Acq						
3	365	114000-0000		JE	847.99	
U Plant Acq Adj GolfGreenwoowGarden Acq						
4	900	104000-0000 M92782	005	JE		14,949.99
Utility Plant Purchased/Sol GolfGreenwoowGarden Acq						
5	900	104000-0000 M92782	005	JE		23,289.00
Utility Plant Purchased/Sol GolfGreenwoowGarden Acq						
6	765	300000-0000		JE	48,307.00	
PPE-Utility Plant in Servic GolfGreenwoowGarden Acq						
7	765	108000-0000		JE		36,981.00
AD-General GolfGreenwoowGarden Acq						
8	765	114000-0000		JE	157.51	
U Plant Acq Adj GolfGreenwoowGarden Acq						
9	900	104000-0000 M92782	005	JE		2,772.51
Utility Plant Purchased/Sol GolfGreenwoowGarden Acq						
10	900	104000-0000 M92782	005	JE		8,711.00
Utility Plant Purchased/Sol GolfGreenwoowGarden Acq						

*** Totals For Journal entry N- 30-00 , Source Code JE

	Debits	Credits	Difference
Base	103,485.50	103,485.50	0.00
Reverse	0.00	0.00	0.00
Entered	103,485.50	103,485.50	0.00
Unit	0.00	0.00	0.00

*** Totals For Journal entry N- 30-00

	Debits	Credits	Difference
Base	103,485.50	103,485.50	0.00
Reverse	0.00	0.00	0.00
Entered	103,485.50	103,485.50	0.00
Unit	0.00	0.00	0.00

BB 4/4/16
RV 4/6/16

AQUA ILLINOIS, INC.
AQUA ILLINOIS - GOLF GREENWOOD GARDENS WATER & SEWER SYSTEMS
CLOSING COSTS AS OF APRIL 1, 2016
M92782

<u>ACTUAL</u>			
<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
9/30/2015	SPESIA, AYERS & ARDAUGH	Legal	1,897.50
10/31/2015	SPESIA, AYERS & ARDAUGH	Legal	2,062.50
12/31/2015	SPESIA, AYERS & ARDAUGH	Legal	1,072.50
1/31/2016	SPESIA, AYERS & ARDAUGH	Legal	990.00
2/29/2016	SPESIA, AYERS & ARDAUGH	Legal	5,255.00
3/31/2016	SPESIA, AYERS & ARDAUGH	Legal	1,445.00
8/31/2014	ESI CONSULTANTS, LTD.	Original Cost Study	4,450.00
8/31/2014	ESI CONSULTANTS, LTD.	Original Cost Study	550.00
3/29/2016	Closing Costs and Attorney Fees	Legal	-
	OTHER		-
			<u>\$ 17,722.50</u>
		Water	\$ 14,949.99
		Sewer	<u>\$ 2,772.51</u>
			\$ 17,722.50

AQUA ILLINOIS, INC.
AQUA ILLINOIS - GOLF GREENWOOD GARDENS WATER & SEWER SYSTEMS
ESTIMATED CLOSING COSTS
M92782

<u>ACTUAL</u>	
<u>Description</u>	<u>Amount</u>
Original Cost Study	\$ 5,000.00
Legal	15,000.00
Closing Costs	5,000.00
	-
	-
	<hr/>
	\$ 25,000.00

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc.	:	
	:	
Petition for Approval of an Asset Purchase	:	
Agreement with Golf Greenwood Gardens	:	15-0465
Improvement Association, and for the	:	
issuance of an Order Approving Rates,	:	
Accounting Entries and Depreciation.	:	

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On August 13, 2015, Aqua Illinois, Inc. ("Aqua" or "Petitioner") filed with the Illinois Commerce Commission ("Commission") a Verified Petition. On September 15, 2015, Aqua filed a Verified Amended Petition ("Amended Petition") pursuant to Section 7-102 of the Public Utilities Act ("Act") requesting approval of an Asset Purchase Agreement ("APA"). Amended Petition, Attachment 1.0. The APA proposes the transfer and sale of Golf Greenwood Gardens Improvement Association's ("GGGIA") water distribution and sewer collection systems (the "Golf Greenwood Systems") to Aqua. Amended Petition, Attachment 2.0. Aqua's Amended Petition further requests that the Commission enter an Order approving Petitioner's proposed rates and proposed accounting entries and depreciation rates related to the acquisition of the Golf Greenwood Systems. Aqua provided notice of its Amended Petition to municipalities within 1.5 miles of the Golf Greenwood Systems area pursuant to 83 Ill. Adm. Code 200.150(b).

Pursuant to due notice, a prehearing conference was held before a duly-authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Chicago, Illinois on September 1, 2015. Appearances at the prehearing conference were entered by counsel for Aqua and Commission Staff ("Staff"). No petitions to intervene were filed by any other party.

An evidentiary hearing was held on January 22, 2016. Parties entered their pre-filed testimony by affidavit. On February 11, 2016, Aqua filed a draft order, which Staff reviewed. The draft order included Appendix A, Recommended Company Proposed Journal Entries for Water and Sewer systems for the Golf Greenwood Systems.

II. BACKGROUND

Petitioner requests a Commission Order: (1) approving Aqua's APA to purchase the Golf Greenwood Systems; (2) approving Petitioner's proposed rates; and (3) approving Petitioner's proposed accounting entries and depreciation rates related to the acquisition of the Golf Greenwood Systems.

Petitioner is a wholly-owned subsidiary of Aqua America, Inc. and provides water and sewer services to approximately 71,500 customers in Kankakee, Vermilion, Champaign, Cook, Will, Boone, Knox, DeKalb, Kane, Ogle, Winnebago, McHenry, and Lake Counties in Illinois. Aqua is a public utility within the meaning of Section 3-105 of the Act. 220 ILCS 5/3-105.

GGGIA is an Illinois not-for-profit located within Maine Township in Cook County, Illinois. GGGIA is not a public utility, but it operates sewer collection and water distribution systems for 72 residential customers in unincorporated Cook County. The Golf Greenwood Systems Area is located within Petitioner's North Maine Certificate area approved by the Commission in Docket No. 14-0396. The Golf Greenwood Systems consist of water mains, sewer mains, valves, flushing hydrants, water services, water connections, water meters, and other related appurtenances. The water system is supplied from a main owned and operated by Petitioner. The Metropolitan Water Reclamation District ("MWRD") provides wastewater treatment for the sewer system. The services provided by GGGIA to its customers include water metering, delivery of water to customers, billing to customers for sewer and water services, and paying Petitioner for supplied water and the MWRD for wastewater treatment.

Petitioner and GGGIA entered into the APA, whereby Petitioner would acquire GGGIA's water and sewer systems for a purchase price of \$25,000. This amount, however, is subject to Petitioner's request to increase the APA from \$25,000 to \$32,000 as described in Section III below. Section 7-102(A)(h) of the Act provides, in pertinent part, that:

Unless the consent and approval of the Commission is first obtained...No public utility may, directly or indirectly, invest, loan or advance, or permit to be invested, loaned or advanced any of its moneys, property or other resources in, for, in behalf of or to any other person, firm, trust, group, association, company or corporation...

220 ILCS 5/7-102(A)(h).

III. REQUESTED FINDINGS AND APPROVALS

Consistent with Section 7-102 of the Act, 220 ILCS 5/7-102, Petitioner requests that the Commission: (1) approve the APA; (2) approve Petitioner's proposed rates; and (3) approve Petitioner's proposed accounting entries and depreciation rates related to the acquisition of the Golf Greenwood Systems. Subject to certain modifications

described herein, Staff recommends that the Commission approve the proposed transaction under the terms of the APA.

A. Petitioner's Proposed Rates, Rules, and Regulations and Depreciation Rates are Reasonable

With respect to Petitioner's proposed rates, Petitioner seeks to consolidate the water customers with Aqua's Consolidated Water Division (ILL. C. C. No. 49, Section 2) and sewer system into Aqua's existing Consolidated Sewer Division (ILL. C. C. No. 50, Section 2) and apply the rates that govern the North Maine Water Division. Aqua Amended Ex. 2.0 at 5. Staff witness Cheri Harden recommends Petitioner's Consolidated Schedule of Rates, as well as the Rates, Rules, Regulations, and Conditions of Service that specifically apply to North Maine water and sewer service also apply to Petitioner's acquisition and operation of the Golf Greenwood Systems. Staff Ex. 3.0 at 6. Ms. Harden further recommends that the rate freeze the Commission approved in Docket No. 14-0396 for North Maine apply to customers of the Golf Greenwood Systems and that Aqua be prohibited from collecting any rates shortfall from customers of the Golf Greenwood Systems. Id. at 3.

Petitioner witness Paul Hanley proposed depreciation rates established in Aqua's rate proceeding in Docket No. 11-0436, attached to Mr. Hanley's testimony as Aqua Exhibit 2.1, Schedules 14 and 15. Aqua Amended Ex. 2.0 at 7. Petitioner's proposed depreciation rates are established for the Consolidated Water Division rate area and Consolidated Sewer Division rate area. Staff witness Jonathan M. Sperry reviewed Petitioner's proposed water depreciation rates in effect for Aqua's Consolidated Water and Sewer Divisions that were adopted in Docket No. 11-0436. Staff Ex. 4.0 at 5. Mr. Sperry does not object to Petitioner's proposed depreciation rates. Id. at 6.

In her direct testimony, Staff witness Ms. Bonita Pearce offered four recommendations regarding the Golf Greenwood Systems acquisition. Ms. Pearce modified these recommendations in her rebuttal testimony to reflect additional capital improvements made by GGGIA subsequent to the APA. Staff Ex. 5.0, Att. A. Ms. Pearce also recommended that the Commission:

- Approve the accounting journal entries as presented on Staff Exhibit 5.0, Schedules 5.01 and 5.02 and attach those journal entries to the Final Order in this proceeding as an appendix;
- Order the Company to file the final accounting journal entries for the transaction, showing the actual dollar values of all involved accounts, as a filing on the Commission's e-Docket system in this docket with a copy sent to AccountingMgr@icc.illinois.gov within sixty (60) days of the transaction date and, if the transaction has not occurred within six months of the Final Order in this proceeding, the Company shall file a status report at six month intervals until the journal entries are filed on the Commission's e-Docket system with a copy sent to AccountingMgr@icc.illinois.gov;

- Approve the regulatory treatment of the acquisition adjustment to be amortized below-the-line in Account 426, Miscellaneous Nonutility Expenses within the first year after closing the proposed transaction; and,
- Determine the original cost to be \$54,173 for the water system and \$48,307 for the sewer system as of the purchase date, as reflected on Staff Exhibit 5.0, Schedules 5.01 and 5.02 in Journal Entry #2.

Staff Exhibit 5.0 at 3.

Petitioner did not contest Ms. Pearce's recommendations, including that Petitioner shall: (1) adjust Journal Entry #3 to reflect one-time amortization of the acquisition adjustment to Account 426, (Staff Ex. 1.0 at 4); and (2) record the acquisition according to Journal Entry #1, Journal Entry #2, and Journal Entry #3 proposed by Staff witness Ms. Pearce in Staff Exhibit 5.0, Schedules 5.01 and 5.02, to reflect capital improvements that increase the value of the water and sewer systems. Staff Ex. 5.0 at 2.

B. Petitioner has the Technical, Financial, and Managerial Ability to Operate and Maintain the Systems

Mr. Blanchette testified that Petitioner has the financial, technical, and managerial ability to operate and maintain the Golf Greenwood Systems. Aqua Ex. 1.0 at 6.

According to Mr. Blanchette, Petitioner provides service to approximately 62,400 water customers and 9,100 wastewater customers in Illinois. Id. at 3. In addition, Aqua recently acquired the surrounding service area and provides water and sewer services to the North Maine Certificate area; the Golf Greenwood Systems Area is located within the North Maine Certificate area. Allowing Petitioner to provide water and sewer service in the Golf Greenwood Systems Area will not impose a significant financial or other burden on Petitioner or its existing customers. Aqua Ex. 1.0 at 5-6. Mr. Blanchette testified that Petitioner has extensive experience and capability in acquiring, managing, supervising, and efficiently operating water and sanitary sewer systems, and has successfully undertaken numerous similar transactions in the last two decades. Id. at 6-10. He further testified that with the acquisition of the Golf Greenwood Systems, Petitioner will provide water and wastewater services to an additional 72 customers within the Golf Greenwood Systems Area. Id. at 6, 10.

Mr. Blanchette also testified that Petitioner is capable of financing the proposed acquisition of GGGIA without significant adverse financial consequences for Petitioner or its customers. Id. at 6.

Staff witness Rochelle Phipps presented her evaluation of the financial implications of the proposed transaction. Staff Ex. 6.0 at 1. Ms. Phipps testified that the

total transaction cost of \$251,000 is *de minimus* relative to the Petitioner's assets and revenues. Id. at 1-2. Ms. Phipps noted the Company indicates it will fund the acquisition with either short-term debt, cash flows from existing operations, or both. After reviewing the Amended Petition, the APA, Company testimony and Company data request responses, Ms. Phipps concluded that: 1) the Company is able to finance the proposed construction as well as projected capital spending in connection with the purchase over the five-year period 2016-2020; and 2) the Company's proposal for funding the proposed transaction and related capital spending is reasonable. Therefore, she found no financial reason to object to Aqua's Amended Petition. Id. at 2.

Staff's conclusions are consistent with testimony presented by Petitioner. Petitioner witness Mr. Hanley analyzed Aqua's assets and income to determine the impact GGGIA's acquisition would have on Aqua. Mr. Hanley considered the cost of the acquisition and the number of additional customers Petitioner would serve within the Golf Greenwood Systems. Mr. Hanley concluded that the acquisition would not adversely affect Aqua. Aqua Ex. 2.0 at 8.

C. There are No Other Municipal Corporations or Other Entities that are Able to Provide Service in a More Cost-Effective Manner

Aqua witness Mr. Blanchette testified that no other municipal corporations or other entities are willing or able to provide water distribution and sewer collection service to customers of the Golf Greenwood Systems. Mr. Blanchette noted that Petitioner already provides bulk water service to GGGIA from its North Maine water system. Aqua Ex. 1.0 at 11. Mr. Blanchette also noted that notice of the Amended Petition was served on each municipality with a corporate boundary wholly or partially within one and one half miles of the Golf Greenwood Systems Area. Amended Pet. at 3. As noted above, no party intervened in this proceeding.

IV. COMMISSION ANALYSIS AND CONCLUSION

Section 7-102(A)(h) of the Act requires Commission approval when a public utility invests, loans, or advances funds to any other association, company, or corporation. 220 ILCS 5/7-102(A)(h). The evidence shows that the Golf Greenwood Systems serve 72 water and wastewater customers. Aqua Ex. 1.0 at 10. The Golf Greenwood Systems consist of water mains, sewer mains, valves, flushing hydrants, water services, water connections, water meters, and other related appurtenances. Water is supplied to GGGIA by Petitioner's operation of the surrounding North Maine Utility. Id. at 10-11; Staff Ex. 4.0 at 3.

Petitioner and Staff agree that Petitioner is financially able to undertake the GGGIA acquisition along with proposed capital improvements, and that Petitioner's proposed funding of the transaction and improvements are reasonable. Aqua Ex. 2.0 at 10; Staff Ex. 6.0 at 2.

Petitioner's proposed acquisition will ensure high-quality, cost-effective, and uninterrupted water service for customers of GGGIA. Petitioner entered into an APA to acquire the Golf Greenwood Systems from GGGIA. No other municipalities expressed interest in this proceeding to assume control of the GGGIA. Aqua Ex 1.0 at 11. Petitioner already provides water and sewer service to surrounding areas in the North Maine Utility Area and provides wholesale water to the Golf Greenwood Systems. *Id.* at 5. Petitioner has committed to a rate freeze through June 2020 for North Maine Utility's customers, as reflected in Docket No. 14-0396, which the Petitioner and Staff now seek to apply to GGGIA customers. Staff Ex. 3.0 at 6.

The Commission finds that Petitioner is capable of efficiently integrating the GGGIA into the North Maine Utility. Petitioner has acquired utilities on numerous occasions that were financially deficient and/or in non-compliance with applicable regulations. Aqua Ex. 1.0 at 6-10.

In light of these findings, and consistent with Petitioner's request, which is supported by Staff, the Commission grants the requested relief sought by Petitioner to acquire the Golf Greenwood Systems consistent with the terms of the APA, approves the rates, tariffs, and accounting entries as presented by Petitioner and agreed to by Staff.

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Aqua Illinois, Inc. provides water and sewer service within the State of Illinois and, as such, is a public utility as defined in Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over Aqua Illinois, Inc. and the subject matter herein;
- (3) the recitals of fact and conclusions of law reached in the prefatory portion of this Order are supported by the evidence of record, and are hereby adopted as findings of fact and conclusions of law;
- (4) Aqua Illinois, Inc. meets the requirements of Section 7-102 of the Public Utilities Act;
- (5) the Assets Purchase Agreement attached to the Direct Testimony of Craig L. Blanchette and identified as Aqua Exhibit 1.2 is hereby approved;
- (6) Aqua Illinois, Inc. shall record the Golf Greenwood Gardens Improvement Association acquisition according to Journal Entry #1,

Journal Entry #2, and Journal Entry #3 in Staff Exhibit 5.0, Schedules 5.01 and 5.02, respectively, and these journal entries shall be attached to the Final Order in this proceeding as Appendix A;

- (7) Aqua Illinois, Inc. shall record the acquisition adjustment below-the-line in Account 426 – Miscellaneous nonutility Expenses and fully amortize this amount within the first year after closing the proposed transaction;
- (8) the original cost of the Golf Greenwood Systems area is determined to be \$54,173 for the water system and \$48,307 for the sewer systems as of the purchase date, as reflected on Staff Exhibit 5.0, Schedules 5.01 and 5.02 in Journal Entry #2, respectively;
- (9) Aqua Illinois, Inc.'s Consolidated Schedule of Rates as well as the Rules, Regulations, Conditions of Service and Miscellaneous Charges for water and sewer service that apply to North Maine are applicable to customers in the Golf Greenwood Systems Area, and the rate freeze approved by the Commission in Docket No. 14-0396 shall also apply, including the prohibition from Aqua Illinois, Inc. collecting any shortfall related to customers in the Golf Greenwood Systems Area;
- (10) Aqua Illinois, Inc.'s water and sewer depreciation rates for Aqua Illinois, Inc.'s Consolidated Water and Sewer Divisions are approved for the Golf Greenwood Systems;
- (11) Aqua Illinois, Inc. shall file the final accounting entries for the purchase of the water distribution and wastewater collection assets being acquired from Golf Greenwood Gardens Improvement Association, showing the actual dollar values of all involved accounts, as a filing on the Commission's e-Docket system in this docket, and shall provide a copy of the same to accountingmgr@icc.illinois.gov within sixty (60) days of the transaction date, but if the transaction has not occurred within six months of the entry of a final Order in this Proceeding, Aqua Illinois, Inc. shall file a status report at six months intervals until the journal entries are filed; and
- (12) Aqua Illinois, Inc. shall file a report in this docket with the Chief Clerk of the Commission, within seven days after the closing on the proposed acquisition, indicating the date on which the closing on the transaction occurred and shall provide a copy of the same to the Manager of the Commission's Water Engineering Program.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the petition of Aqua Illinois, Inc. for an Order approving the purchase of the water and sewer systems of Golf Greenwood Gardens Improvement Association, in Cook County, Illinois, pursuant to Section 7-102 of the Act, and for issuance of an Order approving the rate

base and accounting entries, is granted, subject to the conclusions and findings set forth above.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 9th day of March, 2016.

(SIGNED) BRIEN SHEAHAN

Chairman