

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION
AQUASM

ORIGINAL

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

July 5, 2016

RECEIVED
JUL 07 2016

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

ILLINOIS COMMERCE COMMISSION
CHIEF CLERK'S OFFICE

Re: Docket No. 15-0596 – Crystal Clear Water System Accounting Entry

Dear Ms. Rolando:

Per the Findings and Ordering Paragraphs VII., (23) of the Order in Docket No. 15-0596, Aqua Illinois, Inc. has recorded the acquisition of the Crystal Clear Water System. I have attached a copy of the entry to record the acquisition. If you have any further questions, I can be reached at 815.614.2033.

Sincerely,



Paul Hanley
Controller
Aqua Illinois, Inc.

Journal	GL N	11-00 Record CrystalClear	Aquisition	Fiscal Year	2016	Period	6
Status	Released	Hold Code	Hold Removal Operator	Operator		bakerb	
Posting Date	06/30/16	Transaction Date	06/28/16	Reverse No			
Reference		Document		Journal Book			

Line	Account	Activity	Ref	SC Rvs	Debit	Credit
1	390	300000-0000		JE	795,000.00	
PPE-Utility Plant in Servic Record CrystalClear Aquisit						
2	390	300000-0000		JE	90,550.69	
PPE-Utility Plant in Servic Record CrystalClear Aquisit						
3	390	300000-0000		JE	3,248.77	
PPE-Utility Plant in Servic Record CrystalClear Aquisit						
4	390	408110-0000		JE		3,351.87
Property Taxes Record CrystalClear Aquisit						
5	390	241001-0000		JE		9,715.46
Accrued Liab-OTHER Record CrystalClear Aquisit						
6	900	104000-0000 M93029	005	JE		795,000.00
Utility Plant Purchased/Sol Record CrystalClear Aquisit						
7	900	104000-0000 M93029	005	JE		90,550.69
Utility Plant Purchased/Sol Record CrystalClear Aquisit						
8	900	104000-0000 M93029	005	JE	9,818.56	
Utility Plant Purchased/Sol Record CrystalClear Aquisit						

*** Totals For Journal entry N-	11-00 , Source Code JE	Debits	Credits	Difference
	Base	898,618.02	898,618.02	0.00
	Reverse	0.00	0.00	0.00
	Entered	898,618.02	898,618.02	0.00
	Unit	0.00	0.00	0.00
*** Totals For Journal entry N-	11-00	Debits	Credits	Difference
	Base	898,618.02	898,618.02	0.00
	Reverse	0.00	0.00	0.00
	Entered	898,618.02	898,618.02	0.00
	Unit	0.00	0.00	0.00

BB 6/28/16
RV 6/30/16

EXHIBIT NO. 1
Crystal Clear Water Company
Water System
Reproduction Costs New Less Depreciation Study

General Description	Quantity	Unit	Unit Price	Year Installed	Reproduction Cost New	Age	Average Service Life	Percent Depreciation	Total Depreciation	Reproduction Cost New Less Depreciation	Allocation of Rate Base
PHASE I											795000
Distribution System											
4" Water Main	13722	LF	\$ 75.00	1954	\$ 1,029,150.00	61	80	76%	\$ 784,727	\$ 244,423	\$ 267,058
6" Water Main	1590	LF	\$ 80.00	1954	\$ 127,200.00	61	80	76%	\$ 96,990	\$ 30,210	\$ 33,007
10" Water Main	360	LF	\$ 105.00	1954	\$ 37,800.00	61	80	76%	\$ 28,823	\$ 8,978	\$ 9,809
4" Valves	20	EA	\$ 800.00	1954	\$ 16,000.00	61	50	85%	\$ 13,600	\$ 2,400	\$ 2,622
4" Hydrants with auxiliary valves	5	EA	\$ 4,000.00	1954	\$ 20,000.00	61	50	85%	\$ 17,000	\$ 3,000	\$ 3,278
4" Hydrants with auxiliary valves	1	EA	\$ 4,000.00	2006	\$ 4,000.00	9	50	18%	\$ 720	\$ 3,280	\$ 3,584
5/8" Water Service (Main to B-Box)	264	EA	\$ 1,000.00	1954	\$ 264,000.00	61	50	85%	\$ 224,400	\$ 39,600	\$ 43,267
5/8" Meters	264	EA	\$ 300.00	1954	\$ 79,200.00	61	50	85%	\$ 67,320	\$ 11,880	\$ 12,980
Subtotal Phase I					\$ 1,577,350.00				\$ 1,233,579.38	\$ 343,770.63	\$ 375,605.00

PHASE II											
Distribution System											
4" Water Main	1428	LF	\$ 75.00	1959	\$ 107,100.00	56	80	70%	\$ 74,970.00	\$ 32,130.00	\$ 35,105.00
4" Valves	1	EA	\$ 800.00	1959	\$ 800.00	56	50	85%	\$ 680.00	\$ 120.00	\$ 131.00
4" Hydrants with auxiliary valves	3	EA	\$ 4,000.00	1959	\$ 12,000.00	56	50	85%	\$ 10,200.00	\$ 1,800.00	\$ 1,967.00
5/8" Water Service (Main to B-Box)	29	EA	\$ 1,000.00	1959	\$ 29,000.00	56	50	85%	\$ 24,650.00	\$ 4,350.00	\$ 4,753.00
5/8" Meters	29	EA	\$ 300.00	1959	\$ 8,700.00	56	50	85%	\$ 7,395.00	\$ 1,305.00	\$ 1,426.00
Subtotal Phase II					\$ 157,600.00				\$ 117,895.00	\$ 39,705.00	\$ 43,382.00

Supply											
Pump House Building	1	EA	\$ 100,000.00	2009	\$ 100,000.00	6	75	8%	\$ 8,000.00	\$ 92,000.00	\$ 100,519.00
10" Dia. Well- 512' Deep	1	EA	\$ 50,000.00	1954	\$ 50,000.00	61	50	85%	\$ 42,500.00	\$ 7,500.00	\$ 8,194.00
8" Dia. Well- 275' Deep	1	EA	\$ 25,000.00	1961	\$ 25,000.00	54	50	85%	\$ 21,250.00	\$ 3,750.00	\$ 4,097.00
66,000 gals Storage Tanks	1	EA	\$ 250,000.00	2009	\$ 250,000.00	6	75	8%	\$ 20,000.00	\$ 230,000.00	\$ 251,298.00
220 gal pneumatic tank	1	EA	\$ 5,000.00	2009	\$ 5,000.00	6	75	8%	\$ 400.00	\$ 4,600.00	\$ 5,026.00

EXHIBIT NO. 1
Crystal Clear Water Company
Water System
Reproduction Costs New Less Depreciation Study

General Description	Quantity	Unit	Unit Price	Year Installed	Reproduction Cost New	Age	Average Service Life	Percent Depreciation	Total Depreciation	Reproduction Cost New Less Depreciation	Allocation of Rate Base
Piping	1	EA	\$ 2,000.00	2009	\$ 2,000.00	6	80	8%	\$ 150.00	\$ 1,850.00	\$ 2,021.00
Flow Meter	2	EA	\$ 1,500.00	2009	\$ 3,000.00	6	80	8%	\$ 225.00	\$ 2,775.00	\$ 3,032.00
Chlorinators and Tank	1	EA	\$ 1,200.00	2009	\$ 1,200.00	6	25	24%	\$ 288.00	\$ 912.00	\$ 996.00
Jockey Pump	2	EA	\$ 500.00	2009	\$ 1,000.00	6	25	24%	\$ 240.00	\$ 760.00	\$ 830.00
Subtotal					\$ 437,200.00				\$ 93,053.00	\$ 344,147.00	\$ 376,013.00
TOTAL COST					\$ 2,172,150.00			67%	\$ 1,444,527.38	\$ 727,622.63	\$ 795,000.00

Opinion of Projected Total Cost of Improvements through December 31, 2015

SUMMARY											
Organization Costs	301										\$ 70,000.00
Mains	331	17100	EA		\$ 1,318,050.00			76%	\$ 999,789.38	\$ 318,260.63	\$ 347,732.00
Hydrants	335	9	EA		\$ 36,000.00			78%	\$ 27,920.00	\$ 8,080.00	\$ 8,829.00
Services	333	293	EA		\$ 293,000.00			85%	\$ 249,050.00	\$ 43,950.00	\$ 48,020.00
Meters	334	293	EA		\$ 87,900.00			85%	\$ 74,715.00	\$ 13,185.00	\$ 14,406.00
Structures - Supply	304				\$ 107,200.00			8%	\$ 8,903.00	\$ 98,297.00	\$ 107,398.00
Wells	311				\$ 75,000.00			85%	\$ 63,750.00	\$ 11,250.00	\$ 12,291.00
Tanks	330				\$ 755,000.00			8%	\$ 20,400.00	\$ 234,600.00	\$ 256,324.00
TOTAL COST					\$ 2,172,150.00			67%	\$ 1,444,527.38	\$ 727,622.63	\$ 795,000.00
TOTAL COST with ORGANIZATION COSTS											\$ 865,000.00

EST.

AQUA ILLINOIS, INC.
AQUA ILLINOIS - CRYSTAL CLEAR WATER SYSTEMS
ESTIMATED CLOSING COSTS
M93029

<u>ACTUAL</u>				
<u>Date</u>	<u>Vendor</u>	<u>Description</u>		<u>Amount</u>
7/31/2015	ESI CONSULTANTS, LTD.	Appraisals	\$	1,549.69
9/30/2015	ESI CONSULTANTS, LTD.	Appraisals		6,727.72
11/30/2015	HARTMAN CONSULTANTS,	Appraisals		3,959.23
12/31/2015	ROONEY RIPPLE & RATNA	Legal		10,870.80
12/31/2015	JAY M. HEAP & ASSOCIA	Appraisals		15,000.00
12/31/2015	VALUEKNOWLEDGE LLC	Appraisals		5,342.00
12/31/2015	GOODMAN APPRAISAL CON	Appraisals		5,250.00
12/31/2015	HARTMAN CONSULTANTS,	Appraisals		1,190.00
2/29/2016	ROONEY RIPPLE & RATNA	Legal		9,714.50
3/31/2016	ESI CONSULTANTS, LTD.	Appraisals		554.47
3/31/2016	ARNSTEIN & LEHR LLP	Legal		1,838.50
3/31/2016	ROONEY RIPPLE & RATNA	Legal		6,744.00
4/30/2016	ROONEY RIPPLE & RATNA	Legal		9,441.00
4/30/2016	ARNSTEIN & LEHR LLP	Legal		3,917.78
5/31/2016	ROONEY RIPPLE & RATNA	Legal		8,451.00
	OTHER			-
			\$	<u>90,550.69</u>

Mth	AU	Account	SY	SC	TP	JE	Amount	Date	Description	Activity	Cat	Units
CLOSING COSTS:												
Mont	A/U	Acct.	Sys	A	B	Entry	Amount	Date	Description	Activity	C	D
7	900	104000	AP	AD	N	20	1,549.69	7/31/2015	35292ESI CONSULTANTS, LTD.	M93029	5	0
9	900	104000	AP	AD	I	1	6,727.72	9/30/2015	35292ESI CONSULTANTS, LTD.	M93029	5	0
11	900	104000	AP	AD	N	4	3,959.23	11/30/2015	44412HARTMAN CONSULTANTS,	M93029	5	0
12	900	104000	GL	JE	N	22	10,870.80	12/31/2015	Reclassify Crystal Clear Legal	M93029	5	0
12	900	104000	AP	AD	I	1	15,000.00	12/31/2015	43934JAY M. HEAP & ASSOCIA	M93029	5	0
12	900	104000	AP	AD	I	1	8,152.00	12/31/2015	45743ARNSTEIN & LEHR LLP	M93029	5	0
12	900	104000	AP	AD	I	1	5,342.00	12/31/2015	45663VALUEKNOWLEDGE LLC	M93029	5	0
12	900	104000	AP	AD	I	1	5,250.00	12/31/2015	43916GOODMAN APPRAISAL CON	M93029	5	0
12	900	104000	AP	AD	I	1	1,190.00	12/31/2015	44412HARTMAN CONSULTANTS,	M93029	5	0
1	900	104000	GL	JE	N	4	(8,152.00)	1/31/2016	Reclassify Arnstein&Lehr	M93029	5	0
2	900	104000	AP	AD	N	7	9,714.50	2/29/2016	38465ROONEY RIPPLE & RATNA	M93029	5	0
3	900	104000	AP	AD	N	12	554.47	3/31/2016	35292ESI CONSULTANTS, LTD.	M93029	5	0
3	900	104000	AP	AD	I	1	1,838.50	3/31/2016	45743ARNSTEIN & LEHR LLP	M93029	5	0
3	900	104000	AP	AD	N	4	6,744.00	3/31/2016	38465ROONEY RIPPLE & RATNA	M93029	5	0
4	900	104000	CM	TW	I	100013	(9,818.56)	4/30/2016	IL Acquisition	M93029	5	0
4	900	104000	CM	TW	I	100013	795,000.00	4/30/2016	IL Acquisition	M93029	5	0
4	900	104000	AP	AD	I	1	9,441.00	4/30/2016	38465ROONEY RIPPLE & RATNA	M93029	5	0
4	900	104000	AP	AD	I	1	3,917.78	4/30/2016	45743ARNSTEIN & LEHR LLP	M93029	5	0
5	900	104000	AP	AD	N	5	8,451.00	5/31/2016	38465ROONEY RIPPLE & RATNA	M93029	5	0
							-					
							-					
							875,732.13					

Master Settlement Statement

Near North National Title LLC
 222 North LaSalle Street, Suite 100
 Chicago, IL 60601
 Phone: (312)419-3900 Fax: (312)419-0778

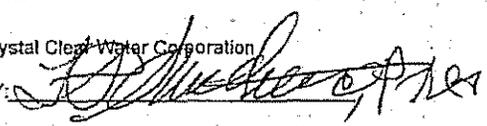
Date: 04/19/16 Time: 11:21:41AM Escrow no.: N01160302
 Close of escrow: 04/20/16 Escrow officer: Kristen Cristia
 Buyer: Aqua Illinois, Inc., an Illinois corporation
 Seller: Crystal Clear Water Corporation
 Property location: 123 Rose Street
 Crystal Lake, IL

Seller			Buyer	
Debit	Credit		Debit	Credit
Financial Consideration				
	795,000.00	Contract sales price	795,000.00	
Prorations/Adjustments				
2,492.70		2015 RE Taxes (Based on full year 2014)		2,492.70
859.17		2016 RE Taxes (1/1/16-4/19/16)		859.17
9,715.46		<u>IDOR Settlement Estimate</u>		9,715.46
Title Charges				
		Title insurance to Near North National Title LLC	2,295.00	
		GAP - Buyer to Near North National Title LLC	125.00	
125.00		GAP - Seller to Near North National Title LLC		
3.00		IL State Policy Fee to Chicago Title Insurance Company		
150.00		Later Date Examination to Near North National Title LLC		
250.00		Extended Coverage Endorsement to Near North National Title LLC		
		Record: Deed to Near North National Title LLC	50.00	
50.00		Insured Closing Letter Fee-Seller to Chicago Title Insurance Company		
		Insured Closing Letter Fee-Buyer to Chicago Title Insurance Company	25.00	
50.00		Record: Release of Lien to Near North National Title LLC		
175.00		ALTA Endorsement 17.1-06 (Indirect Access and Entry) to Near North National Title LLC		
50.00		Tax Payment Service to Near North National Title LLC		
175.00		ALTA Endorsement 19.2-06 (Contiguity - Specified Parcels) to Near North National Title LLC		
700.00		Deed and Money Escrow to Near North National Title LLC		
		Deed and Money Escrow to Near North National Title LLC	700.00	
		Policies issued:		
		Owners Policy		
		Coverage: 795,000.00	2,295.00	
		Version: ALTA 2006 Owners Policy		
Recording Charges				
17.93		City/County tax/stamps to Near North National Title	17.92	
35.86		State tax/stamps to Near North National Title	35.85	
Other Debits/Credits				
3,302.25		2014 Tax Redemption to McHenry County Clerks Office		
3,770.58		2013 Tax Redemption to McHenry County Clerks Office		
45,833.05		Attorneys Fees to Matuszewich & Kelly LLP		
67,755.00	795,000.00	Subtotals	798,248.77	13,067.33
		Balance Due FROM Buyer		785,181.44
727,245.00		Balance Due TO Seller		
795,000.00	795,000.00	TOTALS	798,248.77	798,248.77

\$ 3,351.87
 RE TAXES

3248.77
 CLOSING COSTS

Master Settlement Statement

Seller		Buyer	
Debit	Credit	Debit	Credit
Seller		Buyer	
Crystal Clear Water Corporation		Aqua Illinois, Inc., an Illinois corporation	
BY: 		BY: _____	
<hr/>			
Near North National Title LLC Settlement Agent			

Master Settlement Statement

Seller		Buyer	
Debit	Credit	Debit	Credit

Seller

Crystal Clear Water Corporation

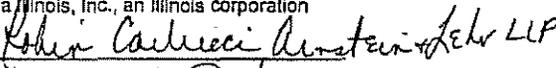
BY: _____


Kristina A. Gustaf
Near North National Title LLC
Settlement Agent

Buyer

Aqua Illinois, Inc., an Illinois corporation

BY: _____


Robert Carlucci, Attorney at Law LLP
Counsel for Buyer

CLOSING STATEMENT

SELLERS: CRYSTAL CLEAR WATER CO.
PURCHASER: AQUA ILLINOIS, INC.
PROPERTY: WATER SYSTEMS IN UNINCORPORATED MCHENRY COUNTY, IL
CLOSING DATE: APRIL 19, 2016

Seller's Credits

Purchase Price		\$ 795,000.00
	TOTAL	<u>\$795,000.00</u>

Purchasers' Credits

Real Estate Taxes		
Full year 2015 (based on full year 2014 taxes of \$2,492.70)		\$ 2,492.70
Prorated 2016 (1/1/16-4/19/16 - \$2,492.70/366 X110 days)		<u>\$ 859.17</u>
	TOTAL	<u>\$ 3,351.87</u>

BALANCE FROM PURCHASER FOR ACQUISITION		\$ 791,648.13
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Seller's Reconciliation

Balance from Purchaser	\$ 791,648.13
LESS: Escrowed portion of purchase price with Purchaser for IDOR payment	
1) IDOR Settlement estimate	\$ 9,715.46
TOTAL ESCROW WITH PURCHASER	\$ 9,715.46
BALANCE DUE AT CLOSING FROM PURCHASER TO SELLER	\$ 781,932.67

Seller's Disbursements

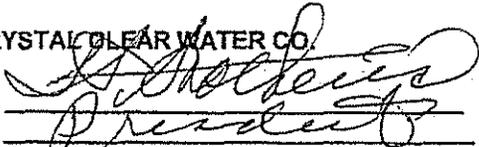
Payment to McHenry County Clerk for 2014 taxes est. of redemption	\$ 3,302.25
Payment to McHenry County Clerk for 2013 taxes est. of redemption	\$ 3,770.58
Extended Coverage for Owner's Policy	\$ 250.00
Indirect Access and Entry endorsement	\$ 175.00
Contiguity endorsement	\$ 175.00
IL state policy fee	\$ 3.00
Tax payment service fee	\$ 50.00
Later Date Examination	\$ 150.00
One-half state transfer tax	\$ 35.85
One-half county transfer tax	\$ 17.93
Closing Protection Letter for Seller	\$ 50.00
Recording Fees for Release of Lien	\$ 50.00
One-half deed and money escrow fee including one-half gap coverage fee	\$ 825.00
Attorneys Fees to Matuszewich & Kelly LLP	\$ 45,833.05
TOTAL	\$ 54,687.66

NET BALANCE DUE TO SELLER **\$ 727,245.01**

AQUA ILLINOIS, INC.

By: _____
Its: _____

CRYSTAL CLEAR WATER CO.

By: 
Its: President

Seller's Reconciliation

Balance from Purchaser	\$ 791,648.13
LESS: Escrowed portion of purchase price with Purchaser for IDOR payment	
1) IDOR Settlement estimate	\$ 9,715.46
TOTAL ESCROW WITH PURCHASER	\$ 9,715.46
 BALANCE DUE AT CLOSING FROM PURCHASER TO SELLER	 \$ 781,932.67

Seller's Disbursements

Payment to McHenry County Clerk for 2014 taxes est. of redemption	\$ 3,302.25
Payment to McHenry County Clerk for 2013 taxes est. of redemption	\$ 3,770.58
Extended Coverage for Owner's Policy	\$ 250.00
Indirect Access and Entry endorsement	\$ 175.00
Contiguity endorsement	\$ 175.00
IL state policy fee	\$ 3.00
Tax payment service fee	\$ 50.00
Later Date Examination	\$ 150.00
One-half state transfer tax	\$ 35.85
One-half county transfer tax	\$ 17.93
Closing Protection Letter for Seller	\$ 50.00
Recording Fees for Release of Lien	\$ 50.00
One-half deed and money escrow fee including one-half gap coverage fee	\$ 825.00
Attorneys Fees to Matuszewich & Kelly LLP	<u>\$ 45,833.05</u>
TOTAL	\$ 54,687.66

NET BALANCE DUE TO SELLER	\$ 727,245.01
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AQUA ILLINOIS, INC.

By: Robin Colucci, Arnstein & Lehr LLP
Its: Counsel for Purchaser

CRYSTAL CLEAR WATER CO.

By: _____
Its: _____

Notice of Stop Order Demand for Payment Bulk Sales



May 23, 2016



Letter ID: L0889785744

AQUA ILLINOIS, INC.
1000 S. SCHUYLER AVENUE
KANKAKEE IL 60901

Seller name: CRYSTAL CLEAR WATER
CO

Taxpayer ID: XX-XXX0349

BSSO: 16-0623

Dear Buyer(s): AQUA ILLINOIS, INC.

We issued a Bulk Sales Stop Order on April 01, 2016 that required you to withhold \$9,715.46 from the purchase amount of the business identified above. This amount was to be held in escrow until all of the seller's taxes were paid through the date of sale. The Illinois Compiled Statutes (35 ILCS 120/5j and 35 ILCS 5/902) explain our authority to issue this stop order and the right to demand payment from you.

The seller did not pay the liabilities and file the returns listed on the enclosed statement. Before the stop order can be released, you or the seller must file these required returns and pay any amount owed for the seller's liability periods.

We will review the seller's account when we receive your payment. We will notify you if any additional amounts are due. If all liabilities are paid, we will issue a Release of Bulk Sales Stop Order. When you receive the release, any remaining funds that you have withheld may be paid to the seller. If the seller's account is currently under audit or in a hearing that can result with additional liabilities, the Stop Order will not be released until a final determination is made and all liabilities are paid.

If you do not respond to this letter promptly, we will begin enforcement action against you. This could result in the revocation of your Certificate of Registration, which allows you to make sales of tangible personal property at retail in Illinois. If you operate without a valid Certificate of Registration, you will be guilty of a Class A misdemeanor. Each day that you make sales without a valid Certificate of Registration is a separate offense. (35 ILCS 120/13).

Note: If you or the seller are currently operating under the protection of the Federal Bankruptcy Court, please contact us and provide the bankruptcy number and the bankruptcy court. The bankruptcy "automatic stay" does not relieve your obligation to file tax returns.

If you have any questions, please write or call our Chicago office weekdays between 8:30 a.m. and 4:30 p.m. Our address and telephone number are below.

Megan Clasen, Revenue Tax Specialist

BULK SALES SECTION
ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH ST 7-400
CHICAGO IL 60601-3274

312 814-3063
312 793-3841 fax

Bulk Sales Stop Order Number: 16-0623

Directions: Pay each liability and file all returns listed on this statement. If you have more than one liability, please write separate remittances and use the pre-addressed envelope we have enclosed. If your payment is not made with a guaranteed remittance (i.e. certified check, cashier's check, or money order), you must send us copies of your cancelled checks before the stop order will be released. Please include the identification number and Bulk Sales Stop Order number (BSSO) listed above on your payment. **Send us your completed returns and payments in the enclosed envelope** (or to us at the address on the first page of this letter).

The following liabilities must be paid within 10 days:

IL Withholding Income Tax	1,458.35
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STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc. :
 :
Petition for Approval of an Asset :
Purchase Agreement, Issuance of a :
Certificate of Public Convenience and : 15-0596
Necessity to Operate a Water System, :
and for the Issuance of an Order :
Approving Rates, Accounting Entries and :
Tariff Language. :

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On November 9, 2015, Aqua Illinois, Inc. ("Aqua Illinois" or the "Company") filed with the Illinois Commerce Commission ("Commission") a Verified Petition ("Petition") requesting that, pursuant to Sections 8-406 and 9-210.5 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 *et seq.*, the Commission enter an Order: (1) approving Aqua Illinois' Asset Purchase Agreement ("APA") entered into between Aqua Illinois and Crystal Clear Water Company ("Crystal Clear"); (2) granting Aqua Illinois a Certificate of Public Convenience and Necessity ("Certificate"), authorizing Aqua Illinois to construct, operate, and maintain the assets of Crystal Clear in portions of unincorporated McHenry County, Illinois (the "Area"), pursuant to the terms of Aqua Illinois' current Rules, Regulations, and Conditions of Service as most recently approved by the Commission; (3) establishing the ratemaking rate base for the Crystal Clear water assets purchased pursuant to the APA; and (4) approving applicable rates for the provision of water service in the Area, accounting entries, and applicable tariffs. The Company further requested that the Commission approve the proposed reorganization pursuant to Section 7-204 of the Act, 220 ILCS 5/7-204.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, a status hearing was scheduled in this matter before a duly-authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Chicago, Illinois on December 15, 2015. An evidentiary hearing was held in this matter on February 22, 2016. At the evidentiary hearing, Aqua Illinois presented the testimony and affidavits of Craig L. Blanchette, President of Aqua Illinois, and of Paul J. Hanley, Controller of Aqua Illinois. Staff presented the testimony of Jonathan M. Sperry, a water engineer in the Water Engineering Program of the Safety and Reliability Division of the Commission;

Theresa Ebrey, an accountant in the Accounting Department of the Financial Analysis Division of the Commission; Janis Freetly, a Senior Financial Analyst in the Finance Department of the Financial Analysis Division of the Commission; and Christopher L. Boggs, a rate analyst in the Rates Department of the Financial Analysis Division of the Commission. At the conclusion of this hearing, the record was marked "Heard and Taken". No intervening petitions were filed in this matter. On March 11, 2016, Aqua Illinois filed a Draft Order that was reviewed and agreed to by Staff.

II. BACKGROUND

Aqua Illinois is a wholly-owned subsidiary of Aqua America, Inc. ("Aqua America"). Aqua Illinois consists of ten tariff areas, serving approximately 72,200 customers in thirteen counties. Aqua Illinois maintains regional offices in Kankakee, Danville, and Wauconda, Illinois.

Crystal Clear currently owns, maintains, and operates a water system (the "System") that serves approximately 293 residences within mostly unincorporated McHenry County, Illinois near and adjacent to the City of Crystal Lake.

On October 1, 2015, Aqua Illinois and Crystal Clear entered into the APA, wherein Aqua Illinois agreed to purchase certain assets, properties, and rights of Crystal Clear for a purchase price that is the greater of \$750,000 or the Commission approved rate base amount associated with the assets, excluding any allowed transaction and closing costs, not to exceed \$800,000, to be paid on the date that the transaction described in the APA is closed.

Aqua Illinois' Petition requested that the Commission use the procedures set forth under Section 9-210.5 of the Act, 220 ILCS 5/9-210.5, to establish the ratemaking rate base of Crystal Clear. On November 12, 2015, Aqua Illinois provided Eric Lounsberry, the Commission's Acting Director of its Safety and Reliability Division, with an official notice letter proposing three appraisers to be used to establish the fair market value of the System as required by Section 9-210.5 of the Act. On November 16, 2015, Mr. Lounsberry provided Aqua Illinois with a letter stating that "to the best of [his] knowledge and belief, each appraiser meets the requirements of Section 9-210.5(c) of the Act as a disinterested person licensed as a State certified general real estate appraiser[.]" On November 18, 2015, Aqua Illinois provided to Staff copies of the contracts between Aqua Illinois and those three appraisers. On December 1, 2015, Commission Staff filed a Motion for entry into the record of the Affidavit of Jonathan M. Sperry and its accompanying exhibits; Staff's motion also requested entry of an Interim Order finding that the three appraiser engagement agreements proposed by Aqua Illinois were reasonable and approved. Attached to the Affidavit were the three signed appraiser engagement agreements entered into by the Company. Mr. Sperry recommended that the Commission issue an Interim Order approving the terms of the appraiser engagement agreements.

On December 16, 2015, the Commission entered an Interim Order finding reasonable and approving the terms of the three appraisal engagement agreements that

were submitted to the Commission by Aqua Illinois. The three approved appraisers subsequently performed independent appraisals pursuant to Section 9-210.5 of the Act, the average of which represented the fair market value of the System.

Aqua Illinois proposes to certificate the current boundaries of Crystal Clear, with certain modifications to expand the boundaries to align with existing section lines. Aqua Illinois duly served notice of this proceeding on all other municipalities located partly or wholly within the Area, or within a corporate boundary that is within one and one-half miles of the Area.

III. ASSET PURCHASE AGREEMENT

Pursuant to the terms of the APA, Aqua Illinois has agreed to purchase all of Crystal Clear's assets, properties, and rights which are held, used, or useful in connection with the System and all related assets, properties, and rights. As further detailed by the APA, these assets include: (a) all of the land, buildings, pipes, pipelines, wells, pumping stations, lift stations, storage tanks, standpipes, fire hydrants, plants, structures, improvements, fixtures, rights-of-way, rights, uses, licenses and easements owned by Crystal Clear or in which Crystal Clear has an interest, and all hereditaments, tenements and appurtenances belonging or appertaining thereto; (b) all machinery, equipment, tools, vehicles, furniture, furnishings, leasehold improvements, goods and other tangible personal property; (c) all supplies and inventories relating to the System; (d) all rights of Crystal Clear under any written or oral contract, easement, license, agreement, lease, plan, instrument, registration, permit, certificate, certificate of convenience and necessity, or other authorization or approval of any nature, or other document, commitment, arrangement, undertaking, practice or authorization; (e) all rights and choses in action of Crystal Clear arising out of occurrences before or after the closing date of the instant purchase; (f) all information, files, records, data, plans, contracts, and recorded knowledge, including customer and supplier lists and property records, related to the foregoing. The APA further delineated specific assets that were excluded from the purchase agreement.

IV. AQUA ILLINOIS POSITION

Aqua Illinois asserts that Crystal Clear is in need of a number of improvements, and explains that the Company plans to invest approximately \$350,000 in Crystal Clear within the first year of operation and \$492,000 over the first five years of owning the System. Aqua Illinois explains that the Illinois Environmental Protection Agency ("IEPA") has issued a number of violations on the System in the past, and of primary concern is the lack of a backup generator and adequate storage facilities. Aqua Illinois' investment plan addresses both of these issues in the first year of ownership. Aqua Illinois further explains that the wells and related structures need to be updated and that it has budgeted \$40,000 to get the wells and related structures in proper working condition. Further, Aqua Illinois explains that Crystal Clear's meters need to be replaced with meters that can be read remotely, because there are a significant number of unmetered properties within the development. Aqua Illinois has budgeted \$90,000 to update the System's meters. In

light of these planned improvements, the Company seeks approval of expenditures for capital improvements over the first five years of owning the System.

Aqua Illinois asserts that the proposed acquisition and its subsequent investment plans will promote the public convenience and necessity, and is necessary to provide adequate, reliable, and efficient service to the current customers of Crystal Clear. Aqua Illinois states that, if the Acquisition is approved, the current owners will no longer own water system assets within the Area, and Aqua Illinois will be the sole provider of water service to those customers. Aqua Illinois further asserts that it is not aware of any other entity that has expressed interest in providing service to Crystal Clear.

A. Rate Base

Aqua Illinois proposed to establish the rate base for the Crystal Clear system pursuant to Section 9-210.5 of the Act, which establishes an alternative procedure whereby a large public water and wastewater utility such as Aqua Illinois may choose to establish the ratemaking rate base for an acquired water or wastewater utility. Section 9-210.5 states that three appraisers selected by the Commission's Water Department Manager shall perform three independent appraisals of the System. The average of the three appraisals will represent the fair market value of the acquired water and/or wastewater assets. Thereafter, the lesser of the purchase price of the System or the appraisal-determined fair market value of the System plus transaction costs will constitute the rate base, subject to any Commission adjustments necessary to ensure that the rate base reflects prudent and useful investments in the provision of public utility service.

In accordance with the Act, on November 12, 2015, Aqua Illinois provided Staff with an official notice letter proposing three appraisers to be used to establish the fair market value of the System. The three appraisers Aqua Illinois selected were: (1) Ms. Elizabeth K. Goodman of Goodman Appraisal Consultants LLC, located at 6260 Lake Drive, Suite 718, Cudahy, WI 53110; (2) Ms. Patricia A. Bellack of ValueKnowledge LLC, located at 233 South Wacker Drive, Suite 9450, Chicago, IL 60606; and (3) Mr. Jay M. Heap of Jay M. Heap & Associates, Ltd., located at 310 W. Jefferson Street, Morris, IL 60450. On November 16, 2015, Mr. Lounsberry notified Aqua Illinois, in writing, that he approved the three appraisers proposed by the Company.

The three appraisals were completed in December of 2015. The appraised values for Crystal Clear were as follows: (1) Ms. Goodman, \$837,000; (2) ValueKnowledge, \$748,000; and (3) Mr. Heap, \$800,000. The average of the three appraisals determined that the fair market value of Crystal Clear is \$795,000.

Based on the average of the three appraisals, Aqua Illinois asserts that the purchase price will be \$795,000 for the System. Given that the purchase price is the same as the combined appraised values of the System, the Company proposes the rate base of the System to be the purchase price plus the transaction costs. The average appraisal of Crystal Clear is calculated to be \$795,000; therefore the proposed rate base (including estimated transaction costs of \$70,000) for Crystal Clear is \$865,000. Mr.

Blanchette testified that Aqua Illinois proposes to include the Crystal Clear system in its Consolidated Water Division.

B. Aqua Illinois has the Technical, Financial, and Managerial Ability to Operate and Maintain the System

Mr. Blanchette, President of Aqua Illinois, testified that Aqua Illinois has the financial, technical, and managerial ability to operate and maintain the Crystal Clear system assets.

According to Mr. Blanchette, Aqua Illinois currently provides service to approximately 62,400 water customers and 9,100 sewer customers throughout Illinois. Mr. Blanchette asserted that allowing Aqua Illinois to provide water service in these unincorporated areas of McHenry County will not impose a significant financial or other burden on Aqua Illinois or its existing customers. Mr. Blanchette also testified regarding Aqua Illinois' extensive and proven track record in the acquisition, operation, and management of water and/or wastewater systems of all sizes and financial conditions throughout the state. Notably, Aqua Illinois has had considerable success rehabilitating troubled systems, which is directly relevant in the case of Crystal Clear, and Aqua Illinois has the managerial, financial and technical ability to bring financial and operational stability to Crystal Clear.

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

Mr. Blanchette testified that no other municipal corporations or other entities are willing or able to provide water service to customers of Crystal Clear. Aqua Illinois also notes that it served notice of this proceeding on all other municipalities located partly or wholly within the Area or with a corporate boundary within 1½ miles of the Area.

D. Aqua Illinois has Demonstrated that it has Proposed the Least-Cost Means for Providing Service in the Proposed Certificated Area

Mr. Blanchette testified that the Company will provide the least-cost public utilities services in the Proposed Certificated Area and that the Company's proposed acquisition will not impose a significant financial burden on Aqua Illinois or its existing customers.

E. Rates

Mr. Blanchette testified that Aqua Illinois proposes to include the Crystal Clear system in its Consolidated Water Division.

As for the depreciation rates for the System, Aqua Illinois proposes to use the depreciation rates currently in effect for the Company's Consolidated Water Division, as approved by the Commission in Docket No. 11-0436.

V. STAFF POSITION

Staff witness Mr. Sperry noted that Aqua Illinois testified as to its extensive experience and capability in acquiring, managing, supervising and efficiently operating water systems, and noted that Aqua Illinois has successfully undertaken numerous similar transactions in the last two decades. Mr. Sperry testified he had no reason to dispute Aqua Illinois' assertion that the proposed reorganization will not diminish the ability of Aqua Illinois to provide adequate, reliable, efficient, safe, and least-cost public utility service, as required by Section 7-204(b)(1) of the Act. Mr. Sperry also testified that, in his opinion, the proposed reorganization is unlikely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction, as required by Section 7-204(b)(6) of the Act. Mr. Sperry stated he did not object to Aqua Illinois' proposed depreciation rates.

Mr. Sperry recommended that, pursuant to Section 9-210.5(h) of the Act, in Aqua Illinois' next rate case the costs of service of Aqua Illinois' Consolidated Water Division and the Crystal Clear water system should be combined under the same rate tariff. Also, pursuant to Section 9-210.5(m) of the Act, the Company shall require that any contractor or subcontractor that performs work on the Crystal Clear water system shall be a responsible bidder as described in Section 30-22 of the Illinois Procurement Code.

Staff witness Ms. Freetly testified that Aqua Illinois is capable of financing the proposed system upgrades without significant adverse financial consequences for the Company or its customers. Ms. Freetly also testified that the proposed acquisition will not impair Aqua Illinois' ability to raise necessary capital on reasonable terms, as required by Section 7-204(b)(4) of the Act.

Staff witness Ms. Ebrey testified that the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customers and that costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities that are properly included by the utility for ratemaking purposes. Ms. Ebrey recommended that only the actual transactional costs that are reasonable be recorded in Account 301 Organization and that these costs be amortized at the composite depreciation rate of 3.1%.

Regarding allowable appraisal fees, Ms. Ebrey also noted that the Company interprets the 5% limitation in Section 9-210.5(d) as a "maximum per appraiser." Ms. Ebrey disagreed with this interpretation and opined that the 5% limitation is placed on the total of the appraiser fees. Since the total of the appraiser fees supported by the Company is less than the 5% limitation, this is a moot point.

Ms. Ebrey stated she could not opine to the reasonableness of estimated transactional costs of \$70,000 as the costs beyond the invoiced legal costs and \$39,018.64 for appraisals is not yet known. Since the Commission cannot make a finding concerning the amount of transaction and closing costs in total that will be recorded in Account 301 Organization and included in rate base for the acquisition of Crystal Clear,

Ms. Ebrey testified that these costs will be reviewed for reasonableness in the Company's next rate case.

Staff recommended that the Company file the final accounting 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 and also in email 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, then the Company shall file a status report at six month intervals until the journal entries are filed on the Commission's e-Docket system and also in email to AccountingMgr@icc.illinois.gov.

Staff witness Mr. Boggs testified that the effects of the proposed reorganization as a whole must be considered to determine whether the rate impact is likely to be adverse. Mr. Boggs stated that, although the new rates will result in an approximate 100% rate increase for current, average-use Crystal Clear residential customers, Aqua Illinois' rate proposal is well below the rate cap set forth in Section 9-210.5(g). Additionally, Mr. Boggs opined that Crystal Clear's current customers can expect to see a significant improvement in service quality in conjunction with the rate increase. Mr. Boggs recommended that the Commission should find that granting the Certificate is not likely to result in any adverse rate impact on customers as required under Section 7-204(b)(7) of the Act.

Staff does not oppose the Commission granting this request, subject to the inclusion of specific findings, including:

- that Aqua Illinois shall file revised Rules, Regulations, and Conditions of Service tariffs for water service that include the proposed certificated service area, consistent with Aqua Ex. 1.2;
- that Aqua Illinois shall notify the Commission when the acquisition is complete;
- that Aqua Illinois shall combine the costs of service of Aqua Illinois' Consolidated Water Division and the Crystal Clear water system under the same rate tariff in the Company's next rate case;
- that Aqua Illinois shall comply with Section 30-22 of the Illinois Procurement Code regarding contractors or subcontractors performing work on the Crystal Clear water system;
- that Aqua Illinois shall file the final accounting 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 to the Commission's Accounting Department at 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, then the Company shall file a status report at six month intervals until the accounting

entries are filed on the Commission's e-Docket system with a copy to the Commission's Accounting Department at AccountingMgr@icc.illinois.gov;

- that the Company shall recommend specific language for inclusion in the final Order regarding accrual of costs for financing and depreciation of post-acquisition improvements; and
- that the Commission shall include in its Final Order the specific findings and orderings language recommended by Ms. Ebrey in Staff Ex. 2.0.

VI. COMMISSION ANALYSIS AND CONCLUSION

As indicated above, Aqua Illinois seeks authorization to purchase substantially all of the water system assets of Crystal Clear pursuant to an Asset Purchase Agreement. Aqua Illinois also seeks a Certificate of Public Convenience and Necessity to construct, operate, and maintain the assets of Crystal Clear in portions of unincorporated McHenry County, Illinois, pursuant to the terms of Aqua Illinois' current Rules, Regulations, and Conditions of Service as most recently approved by the Commission. Aqua Illinois also requests that the Commission use the procedures set forth in Section 9-210.5 of the Act to establish the ratemaking rate base for the Crystal Clear water assets purchased pursuant to the APA. Aqua Illinois also seeks approval of applicable rates for the provision of water service in the Area, accounting entries, and applicable tariffs and asks the Commission to approve the proposed reorganization pursuant to Section 7-204 of the Act, 220 ILCS 5/7-204. Aqua Illinois asks the Commission to grant any and all other appropriate relief.

The Commission has reviewed the record of this proceeding and finds that Aqua Illinois has presented sufficient evidence to support its requested relief pursuant to Sections 7-204, 8-406, and 9-210.5 of the Act.

The record shows that there is a need to provide adequate, reliable and efficient service to the customers within portions of unincorporated McHenry County, Illinois. As an experienced water and wastewater utility in the State of Illinois, Aqua Illinois has demonstrated that it has the technical, financial and managerial ability to construct, operate and maintain the water distribution system of Crystal Clear. Aqua Illinois has also shown that the ownership, operation, and maintenance of the System by Aqua Illinois is the least-cost means of providing service to the customers of the System. Furthermore, Aqua Illinois has demonstrated that it is capable of efficiently managing and supervising the activities necessary to provide water service to the System.

In light of these findings, and consistent with Aqua Illinois' request, which Staff supports, the Commission grants the requested Certificate and applicable tariffs for the System as presented by Aqua Illinois and agreed to by Staff. The Commission further concludes that, effective as of the date of closing of the acquisition, Crystal Clear shall permanently abandon and be deemed to have permanently abandoned all water service.

The Commission agrees with the recommendation of Staff and Aqua Illinois to consolidate Crystal Clear with Aqua Illinois' Consolidated Water Division. The

Commission approves Aqua Illinois' proposal to adopt the Company's existing miscellaneous charges, return check charges, late payment fees, state add-on taxes, and other fees for Crystal Clear. The Commission finds it reasonable that Aqua Illinois apply the current depreciation rates in effect for Aqua Illinois' Consolidated Water Divisions, as identified in Aqua Ex. 2.1, Schedule 7.

The Commission approves Aqua Illinois' proposed accounting entries applicable to the Crystal Clear system, subject to Staff's modifications and as set forth in Appendix A attached hereto. As discussed above, Staff recommends that Aqua Illinois be directed to notify the Commission when the acquisition is complete. The Commission believes that notification is appropriate. Thus, within seven days after the closing on the proposed acquisition, Aqua Illinois is directed to file a report in this Docket with the Commission's Chief Clerk, indicating the date on which the closing of the transaction occurred. Aqua Illinois shall also provide a copy of this filing to the Director of the Commission's Safety and Reliability Program.

The ratemaking rate base for the Crystal Clear water system that has been supported in this case is \$844,889. This amount is derived from the average appraisal value of \$795,000, the actual appraiser fees of \$39,019 and the transaction costs of \$10,870 that have been supported by the evidence presented in this case. Since the Company has provided evidentiary support for only \$10,870 of the estimated \$30,981 for other transaction costs, only that amount is approved in this case to be included in rate base. Any additional costs incurred by the Company to consummate the acquisition may be reviewed for reasonableness in the Company's next rate case.

Regarding the proposed reorganization, the Commission finds that: (1) the reorganization will not diminish Aqua Illinois' ability to provide adequate, reliable, efficient, safe and least-cost public utility service; (2) the reorganization will not result in the unjustified subsidization of non-utility activities by Aqua Illinois or its customers; (3) costs and facilities will be fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities that are properly included by the utility for ratemaking purposes; (4) the proposed reorganization will not significantly impair Aqua Illinois' ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure; (5) Aqua Illinois will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities; (6) the proposed reorganization is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction; and (7) the proposed reorganization is not likely to result in any adverse rate impacts on retail customers.

The Commission also finds that the evidence in this proceeding indicates that the capitalization of Aqua Illinois will not change. Further, there are no anticipated savings that will result from the proposed reorganization. Consistent with previous cases, the Commission finds that any reorganization savings that do occur which reduce Aqua Illinois' cost of service shall be subject to being passed on to ratepayers through the normal rate proceeding process. The Commission also finds that Aqua Illinois should not

be allowed to recover any costs incurred in accomplishing the proposed reorganization from its regulated services customers.

In the Commission's view, the accounting treatment agreed to by Staff and Aqua is appropriate and should be approved. Therefore, Aqua is directed to file with the Commission's Chief Clerk, within 60 days of the completion of the transaction, the actual journal entries reflecting plant and accumulated depreciation totals as of the date ownership was transferred. A copy of these documents shall also be provided to the Manager of the Commission's Accounting Department.

The Commission also finds that the rules, regulations, and conditions of service presently applicable in Aqua Illinois' Consolidated Water Division should be applicable in the area certified in this proceeding. Additionally, the Commission concludes that the rates and tariffs presently applicable in Consolidated Water Division should be applicable in the area certified in this proceeding.

Aqua should comply with Section 9-210.5(h) of the Act when filing its next rate case; and ensure that any contractor or subcontractor engaged to perform work on the Crystal Clear water system is a responsible bidder as described in Section 30-22 of the Illinois Procurement Code, pursuant to 9-210.5(m) of the Act.

Subject to these conditions, and other determinations contained herein, the Commission approves the Asset Purchase Agreement identified as Aqua Exhibit 1.3 in this proceeding, and authorizes Aqua to consummate the proposed acquisition. Also subject to these conditions and other determinations contained herein, the Commission finds that a Certificate of Public Convenience and Necessity should be granted to Aqua to provide water service to the customers of unincorporated McHenry County.

VII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to 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 to the public 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 the Company 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 has met the requirements of Sections 7-204, 8-406, and 9-210.5 of the Public Utilities Act;

- (5) the Asset Purchase Agreement listed in Aqua Ex. 1.3 is approved subject to the conditions set forth herein;
- (6) the proposed certificated service area as depicted and legally described in Aqua Ex. 1.1 is approved and is hereto attached as Appendix B;
- (7) the proposed water depreciation rates of Aqua Illinois' Consolidated Water Division should be approved for the Crystal Clear system, as identified in Aqua Ex. 2.1, Schedule 7;
- (8) the Company's current Consolidated Schedule of Rates For Water Service and Rates, Rules, Regulations, and Conditions of Service tariffs, including Aqua Illinois' existing miscellaneous charges, return check charges, late payment fees, state add-on taxes and other fees, are applicable to customers in the Area;
- (9) Aqua Illinois' proposal to utilize the Consolidated Water Division Rates for Area customers is in compliance with Section 9-210.5(g) of the Act;
- (10) the accounting entries to record the purchase of the water system as reflected in Appendix A attached hereto, are approved, and the transaction costs resulting from the purchase of the Crystal Clear Water System will be included in Aqua Illinois' rate base as organization costs, and the organization costs will be amortized above-the-line in Account 407.3 Amortization of Other Utility Plant;
- (11) the Company is in compliance with Section 7-204(b)(2) of the Act, as the proposed reorganization will not result in unjustified subsidization of non-utility activities by the utility or its customers;
- (12) the Company is in compliance with Section 7-204(b)(3) of the Act, as costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities that are properly included by the utility for ratemaking purposes;
- (13) the Company did not identify any savings from this reorganization but recognized the possibility of future operating expense and/or capital cost reductions resulting from operating efficiencies achieved through the proposed reorganization. Pursuant to Section 7-204(c)(i) of the Act, any such future operating expense and/or capital cost reductions shall be identified in the Company's applicable future rate case and the Company shall flow such reductions through to ratepayers;

- (14) pursuant to Section 7-204(c)(ii) of the Act, any costs incurred in accomplishing the proposed reorganization shall not be recoverable from ratepayers;
- (15) in Aqua Illinois' next rate case for the Consolidated Water Division, Crystal Clear and Aqua Illinois' Consolidated Water Division and their costs of service shall be combined under the same rate tariff for ratemaking purposes, pursuant to Section 9-210.5(h) of the Act;
- (16) Aqua Illinois' post-acquisition improvements shall accrue a cost for financing set at Aqua Illinois' rate for allowance for funds used during construction, inclusive of the debt, equity, and income tax gross up components, after the date on which the expenditure was incurred by Aqua Illinois until the investment has been in service for a four year period or, if sooner, until the time the rates are implemented in Aqua Illinois' next rate case, pursuant to 220 ILCS 5/9-201.5(i);
- (17) Aqua Illinois' post-acquisition improvements shall not be depreciated for ratemaking purposes from the date on which the expenditure was incurred by Aqua until the investment has been in service for a four year period or, if sooner, until the time the rates are implemented in Aqua' s next rate case, also pursuant to 220 ILCS 5/9-201.5(i);
- (18) the accounting entries to record the purchase of the water system as reflected herein on Appendix A are approved, and the transaction costs resulting from the purchase of the Crystal Clear Water System will be included in Aqua Illinois' rate base as organization costs, and the amortization of the organization costs will be amortized above-the-line in Account 407.3 Amortization of Other Utility Plant;
- (19) the ratemaking rate base for the Crystal Clear water system that has been supported in this case is \$844,889. Any additional costs incurred by the Company to consummate the acquisition may be reviewed for reasonableness in the Company's next rate case;
- (20) Aqua Illinois shall comply with Section 9-210.5(m) of the Act if Aqua Illinois hires a contractor or subcontractor to perform work on the Crystal Clear water system;
- (21) Aqua Illinois shall file a report with the Chief Clerk of the Commission in this Docket 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 Director of the Commission's Safety and Reliability Division;
- (22) Aqua Illinois shall file revised tariffs sheets for water service consistent with Aqua Exhibit 1.2, within fifteen (15) days prior to the closing of the

acquisition, with an effective date of closing which shall not be less than five (5) working days after the date of filing, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary;

- (23) the Company shall file the final accounting entries for the reorganization, showing the actual dollar values of all involved accounts, as a filing on the Commission's e-Docket system in this docket and also in email to AccountingMgr@icc.illinois.gov within sixty (60) days of the reorganization date. If the reorganization 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 and also in email to AccountingMgr@icc.illinois.gov; and
- (24) upon entry of the Final Order in this proceeding, and effective as of the date of closing of the acquisition, Crystal Clear shall permanently abandon and be deemed to have permanently abandoned all water service, and its Certificate shall be cancelled.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Aqua Illinois' Petition is granted, subject to the conclusions and findings set forth above.

IT IS FURTHER ORDERED by the Commission that a Certificate of Public Convenience and Necessity is hereby granted to Aqua Illinois pursuant to Section 8-406 of the Act as follows:

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

IT IS HEREBY CERTIFIED that the public convenience and necessity requires the construction, operation, and maintenance of a water supply and distribution system and, in connection therewith, the provision of public utility water service by Aqua Illinois, Inc. in portions of McHenry County, Illinois, as shown on a map and legally described in Aqua Ex. 1.1, and in attached Appendix B.

IT IS FURTHER ORDERED that the proposed rates set forth herein, and the terms and conditions of service set forth in the Asset Purchase Agreement are approved.

IT IS FURTHER ORDERED that the proposed water depreciation rates of Aqua Illinois' Consolidated Water and Sewer Divisions are approved for the Crystal Clear system, as identified Aqua Ex. 2.1, Schedule 7.

IT IS FURTHER ORDERED that Aqua Illinois is authorized to make the accounting journal entries to record the proposed transaction as are found appropriate in the determinations made above.

IT IS FURTHER ORDERED that Aqua Illinois is directed to file with the Chief Clerk of the Commission, within 60 days of the completion of the transaction, the actual journal entries made to record the acquisition of Crystal Clear's water system assets pursuant to the Asset Purchase Agreement a copy of this filing shall also be provided to the Manager of the Commission's Accounting Department.

IT IS FURTHER ORDERED that within seven days after the closing on the proposed acquisition, Aqua Illinois is directed to file a report in this Docket with the Chief Clerk of the Commission, indicating the date on which the closing on the transaction occurred; Aqua Illinois shall also provide a copy of this filing to the Director of the Commission's Safety and Reliability Division.

IT IS FURTHER ORDERED that Aqua Illinois is directed to comply with Section 9-210.5(h) and (i) of the Act when filing its next rate case; and comply with Section 9-210.5(m) of the Act if Aqua Illinois hires a contractor or subcontractor to perform work on the Crystal Clear Water System.

IT IS FURTHER ORDERED that any motions, petitions, objections, and other matters in this proceeding which remain outstanding are hereby denied.

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 29th day of March, 2016.

(SIGNED) BRIEN SHEAHAN

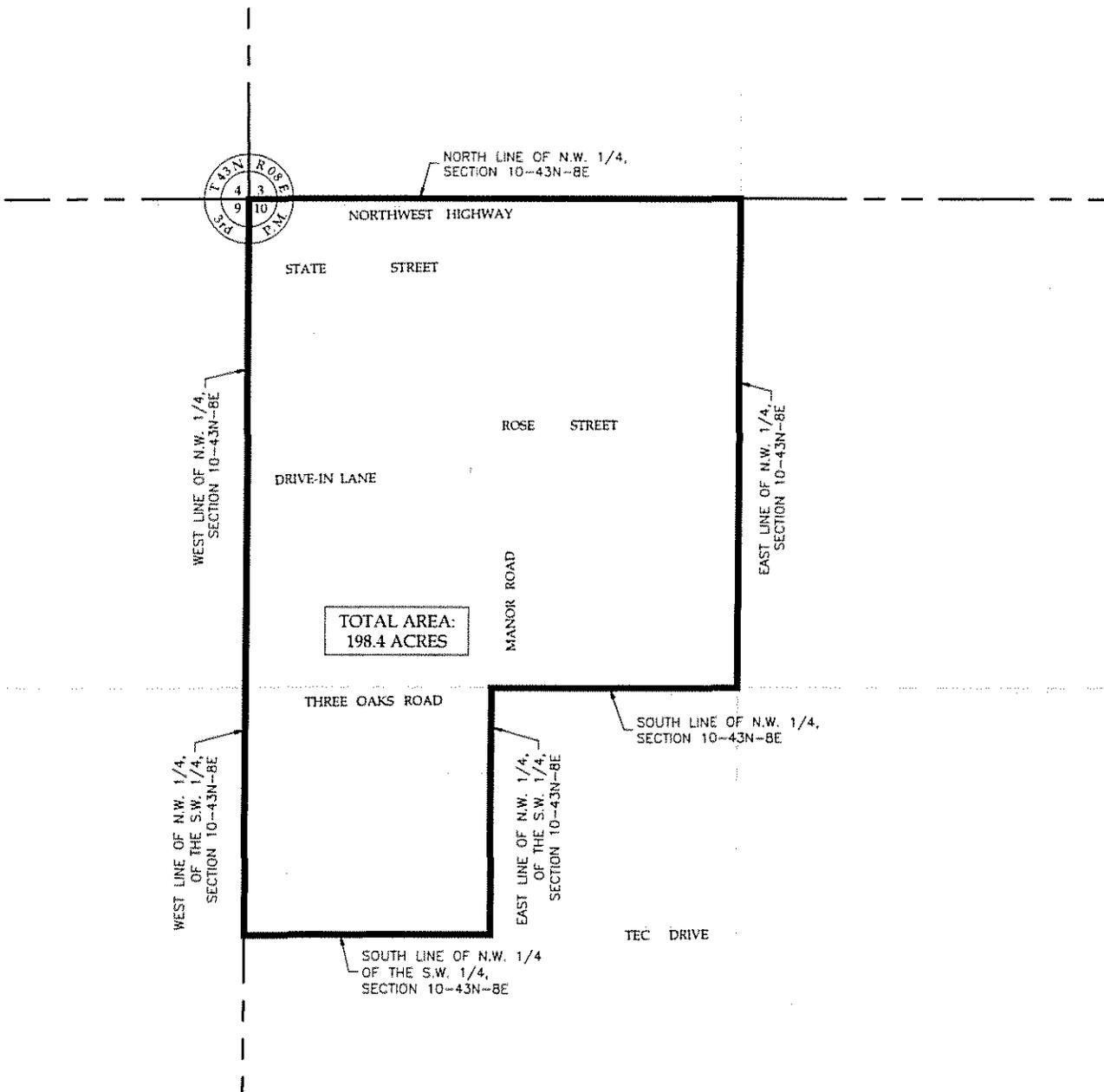
CHAIRMAN

Aqua Illinois Inc
 Acquisition of Crystal Clear Water Company
 Docket No. 15-0596
 Accounting Entries to Record Purchase

Account	Description	Debit	Credit
<u>Journal Entry #1 - To record the initial purchase price to Account 104</u>			
104	Utility Plant Purchased or Sold	\$834,019	
131	Cash		\$834,019
Note: Includes purchase price of \$795,000 plus appraisal costs of \$39,019			
<u>Journal Entry #2 - To transfer at closing the initial purchase price from Account 104 to the appropriate utility plant accounts</u>			
301	Organization	39,019	
303	Land	90,500	
304	Structures and Improvements - Prod.	162,480	
305	Collecting and Impounding	102,450	
307	Wells and Springs	12,530	
331	Mains	354,430	
333	Services	48,940	
334	Meters	14,680	
335	Hydrants	8,990	
104	Utility Plant Purchased or Sold		834,019
Note: Per Company response to Staff data request TEE 1.05 Attachment 1			
<u>Journal Entry #3 - To record the annual depreciation of the utility plant in service</u>			
403	Depreciation Expense	18,117	
108	Accumulated Depreciation		18,117
Note: Depreciation expense is accounts 304 through 335, Company response to Staff data request TEE 2.01 Attachment 1			
<u>Journal Entry #4 - To record the annual amortization of organizational costs</u>			
407.3	Amortization of Other Utility Plant	1,210	
301	Organizational Costs		1,210
Note: Amortization of appraisal costs (organization costs in 301) * 3.1%			
Total		\$1,687,365	\$1,687,365

SECTION: 10 , TOWNSHIP: 43N , RANGE: 8E (NW 1/4)
 SECTION: 10 , TOWNSHIP: 43N , RANGE: 8E (NW 1/4 OF THE SW 1/4)

AQUA ILLINOIS - CRYSTAL CLEAR WATER SYSTEM



LEGAL DESCRIPTION

Aqua Illinois Crystal Clear Water System defined as follows:
 Northwest 1/4, Section 10, Township 43N, Range 8E, (of the 3rd Principal Meridian);
 and the Northwest 1/4 of the Southwest 1/4, Section 10, Township 43N, Range 8E (of the 3rd Principal Meridian);
 Encompassing an Area of 198.4 Acres.



**AQUA ILLINOIS - CRYSTAL CLEAR WATER
WATER**

	2014 Current		2016 Year 1		2017 Year 2		2018 Year 3		2019 Year 4		2020 Year 5	
Beginning Investment (Purchase Price)			\$	865,000	\$	865,000	\$	865,000	\$	865,000	\$	865,000
Additional Capital			\$	350,000	\$	368,000	\$	386,000	\$	474,000	\$	492,000
Total Investment			\$	1,215,000	\$	1,233,000	\$	1,251,000	\$	1,339,000	\$	1,357,000
Customers / Growth	293	0										
	Annual/Cust	Increase										
Residential Rate (Annual)	\$291	84%	\$534	0.0%	\$534	26.2%	\$674	2.5%	\$691	2.5%	\$708	
(Monthly)	\$24		\$44		\$44		\$56		\$58		\$59	
Revenues:												
Residential	85,189		156,406		156,406		197,384		202,319		207,377	
Other - manual adjustment to agree with 2014 annual report	(12,033)		-		-		-		-		-	
Other	-		-		-		-		-		-	
Net Revenues	\$ 73,156		\$ 156,406		\$ 156,406		\$ 197,384		\$ 202,319		\$ 207,377	
Expenses:												
Operation and Maintenance	\$ 137,754		\$ 59,417		\$ 60,863		\$ 77,441		\$ 79,377		\$ 81,361	
Other Taxes - 0.8% of rate base	8,132		7,843		7,797		7,748		8,245		8,179	
Depreciation	2.3% 11,510		27,702		28,112		28,523		30,529		30,940	
Subtotal	157,396		94,962		96,772		113,712		118,150		120,479	
Income Before Interest and Income Taxes	(84,240)		61,444		59,634		83,673		84,169		86,898	
Interest (47% rate base)	4.25% -		16,102		15,900		15,690		16,838		16,580	
Income Taxes (Fed and State 41.175%) (state 7.75%)	40% (33,700)		18,200		17,500		27,200		27,000		28,200	
Net Gain /(Loss)	\$ (50,540)		\$ 27,142		\$ 26,234		\$ 40,783		\$ 40,331		\$ 42,118	
Rate Base			\$ 806,128		\$ 796,015		\$ 785,492		\$ 842,963		\$ 830,024	
Operating Income			\$ 43,244		\$ 42,134		\$ 56,473		\$ 57,169		\$ 58,698	
Return on Rate Base			5.36%		5.29%		7.19%		6.78%		7.07%	
Return on Equity (Based on 53% of Rate Base)			6.35%		6.22%		9.80%		9.03%		9.57%	
OPERATIONS AND MAINTENANCE:												
			Increase									
Labor	59.46	\$ 54,133	\$ 17,422	2.5%	\$ 17,857	2.5%	\$ 18,304	2.5%	\$ 18,761	2.5%	\$ 19,230	2.5%
Employee Benefits	19.48	-	5,708	2.5%	5,850	2.5%	5,997	2.5%	6,147	2.5%	6,300	2.5%
Power	23.47	11,637	6,877	2.5%	7,049	2.5%	7,225	2.5%	7,405	2.5%	7,591	2.5%
Chemicals	20.28	-	5,942	2.5%	6,091	2.5%	6,243	2.5%	6,399	2.5%	6,559	2.5%
Management Fees - Corporate	28.85	-	-	2.5%	-	2.5%	8,453	2.5%	8,664	2.5%	8,881	2.5%
Management Fees - States	3.44	-	-	2.5%	-	2.5%	1,008	2.5%	1,033	2.5%	1,059	2.5%
Cust Operations-ACO Allocation	9.86	-	-	2.5%	-	2.5%	2,889	2.5%	2,961	2.5%	3,035	2.5%
Cust Operations - Direct	6.33	-	-	2.5%	-	2.5%	1,855	2.5%	1,901	2.5%	1,949	2.5%
Outside Serv - Accounting	1.64	-	-	2.5%	-	2.5%	481	2.5%	493	2.5%	505	2.5%
Outside Serv - Lab test	1.13	-	331	2.5%	339	2.5%	348	2.5%	357	2.5%	365	2.5%
Outside Serv - Operation	15.86	-	4,647	2.5%	4,763	2.5%	4,882	2.5%	5,004	2.5%	5,129	2.5%
Outside Services - Maintenance	12.14	2,235	3,557	2.5%	3,646	2.5%	3,737	2.5%	3,831	2.5%	3,926	2.5%
Outside Serv - Other	0.16	-	47	2.5%	48	2.5%	49	2.5%	50	2.5%	52	2.5%
Leases	0.43	4,224	126	2.5%	129	2.5%	132	2.5%	136	2.5%	139	2.5%
Supplies	6.75	-	1,978	2.5%	2,027	2.5%	2,078	2.5%	2,130	2.5%	2,183	2.5%
Transportation	7.15	-	2,095	2.5%	2,147	2.5%	2,201	2.5%	2,256	2.5%	2,312	2.5%
Insurance	11.31	2,250	3,314	2.5%	3,397	2.5%	3,482	2.5%	3,569	2.5%	3,658	2.5%
Bad Debt Expense	1.0%	-	1,564	1.0%	1,564	1.0%	1,974	1.0%	2,023	1.0%	2,074	1.0%
Other Expense	19.83	63,275	5,810	2.5%	5,955	2.5%	6,104	2.5%	6,257	2.5%	6,413	2.5%
Total O&M	\$ 137,754		\$ 59,417	2.4%	\$ 60,863	27.2%	\$ 77,441	2.5%	\$ 79,377	2.5%	\$ 81,361	2.5%
O&M Per Customer	\$ 470		\$ 203	2.4%	\$ 208	27.2%	\$ 264	2.5%	\$ 271	2.5%	\$ 278	2.5%

**AQUA ILLINOIS - CRYSTAL CLEAR WATER
WATER**

Average Residential Bill

<u>CURRENT</u>		<u>Gallons</u>			<u>Customer</u>	<u>Rates</u>	<u>Usage</u>			<u>QIPS</u>	<u>Gross Revenue Tax (ICC)</u>		<u>TOTAL</u>
<u>Division:</u>	<u>A/U</u>	<u>Billing Units</u>	<u>Gallons</u>	<u>Equals Billing Units</u>	<u>Charge</u>	<u>1000 Gallons</u>	<u>1000 Gallons</u>	<u>Subtotal</u>	<u>Rate %</u>	<u>Charge</u>	<u>Rate %</u>	<u>Charge</u>	<u>BILL</u>
Crystal Clear		1000 Gallons	4200	4.20	\$12.00	\$2.9059	\$12.20	\$24.20	0.00%	\$0.00	0.10%	\$0.02	\$24.23

5/8" Meters

<u>PROPOSED</u>		<u>Gallons</u>			<u>Customer</u>	<u>Rates</u>	<u>Usage</u>			<u>QIPS</u>	<u>Gross Revenue Tax (ICC)</u>		<u>TOTAL</u>
<u>Division:</u>	<u>A/U</u>	<u>Billing Units</u>	<u>Gallons</u>	<u>Equals Billing Units</u>	<u>Charge</u>	<u>1000 Gallons</u>	<u>1000 Gallons</u>	<u>Subtotal</u>	<u>Rate %</u>	<u>Charge</u>	<u>Rate %</u>	<u>Charge</u>	<u>BILL</u>
Consolidated Division		1000 Gallons	4200	4.20	\$14.86	\$6.5394	\$27.47	\$42.33	5.00%	\$2.12	0.10%	\$0.04	\$44.48

Rate Increase: 84%

**Consumption data does not exist in the 2014 annual report. Therefore, we utilized the McHenry Shores average residential usage of 4200 gallons.

**AQUA ILLINOIS - CRYSTAL CLEAR WATER
WATER**

ITEM	2016	2016	2017	2018	2019	2020	TOTAL
Purchase Price	795,000						795,000
Closing Costs	70,000						70,000
Meters and Pits		90,000					90,000
Valve&Hydrants		20,000	5,000	5,000	5,000	5,000	40,000
Building & Grounds		40,000	5,000	5,000	5,000	5,000	60,000
SCADA/OMNI		20,000					20,000
Breaks/Main Replace		20,000	3,000	3,000	3,000	3,000	32,000
Service Line Renewals		25,000	5,000	5,000	5,000	5,000	45,000
Security		15,000					15,000
Landscaping		10,000					10,000
Generator		50,000					50,000
5000 Gallon Hydro Tank		35,000					35,000
Crystal Lake Connection		25,000					25,000
25000 Gallon Ground Tank w/ Foundation							0
Capital Improvements - Estimated QIPS					70,000		70,000
TOTAL CAPITAL OUTLAY	865,000	350,000	18,000	18,000	88,000	18,000	1,357,000
TOTAL CAPITAL SPENDING		350,000	368,000	386,000	474,000	492,000	

AQUA ILLINOIS, INC.
AQUA ILLINOIS - CRYSTAL CLEAR WATER
RATE BASE PROJECTION

WATER

Rate Base Projection as of 12/31/2015:

Utility Plant	\$ 795,000
Working Capital	11,128
Other	<u>-</u>

RATE BASE (ESTIMATED)

\$ 806,128

AQUA ILLINOIS, INC
AQUA ILLINOIS - CRYSTAL CLEAR WATER
ACCOUNTING ENTRIES

Journal Entry # 1 To record funding.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
104	Utility Plant Purchased or Sold	795,000	
104	Closing Costs	70,000	
131	Cash		(865,000)

Journal Entry # 2 To record purchase at closing.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
104	Utility Plant Purchased or Sold		(795,000)
104	Closing Costs		(70,000)
300	Utility Plant In Service	795,000	
		<u>795,000</u>	<u>(865,000)</u>

AQUA ILLINOIS, INC.
AQUA ILLINOIS - CRYSTAL CLEAR WATER
DETAIL OF UTILITY PLANT IN SERVICE

<u>Assets</u>	<u>Acct.</u>	<u>Purchase Price</u>	<u>Rate</u>
<u>Intangible Plant</u>			
Organization	301	\$ -	0.00%
Franchises & Consents	302	-	0.00%
<u>Source of Supply Plant</u>			
Land and Land Rights	303	90,500	0.00%
Structures and Improvements	304	162,480	4.17%
Collecting & Impounding Res.	305	102,450	1.50%
Lake, River and Other Intakes	306	-	1.47%
W ells and Springs	307	12,530	1.67%
Supply Mains	309	-	1.89%
<u>Pumping Plant</u>			
Land and Land Rights	303	-	0.00%
Structures and Improvements	304	-	2.27%
Power Generating Equipment	310	-	3.33%
Source of Supply & Pumping Equip.	311	-	3.13%
Source of Supply & Pumping Equip. -	311.26	-	3.13%
Transmission & Distribution Pumping	311.4	-	3.13%
<u>W ater Treatment Plant</u>			
Land and Land Rights	303	-	0.00%
Structures and Improvements	304	-	2.78%
W ater Treatment Equipment	320	-	3.57%
<u>Transmission & Dist. Plant</u>			
Land and Land Rights	303	-	0.00%
Structures and Improvements	304	-	4.17%
Dist. Reservoirs & Standpipes	330	-	1.67%
T & D Mains	331	354,430	1.89%
Services	333	48,940	3.33%
Meters	334	14,680	6.21%
Meter Installations	334	-	4.44%
Hydrants	335	8,990	3.95%
Other Plant & Misc. Equipment	339	-	5.56%

AQUA ILLINOIS, INC.
AQUA ILLINOIS - CRYSTAL CLEAR WATER
DETAIL OF UTILITY PLANT IN SERVICE

<u>Assets</u>	<u>Acct.</u>	<u>Purchase Price</u>	<u>Rate</u>
General Plant			
Land and Land Rights	303	-	0.00%
Structures and Improvements	304	-	4.00%
Laboratory Equipment	344	-	5.00%
Office Furniture	340	-	4.74%
Personal Computers	340	-	12.50%
PC Software	340	-	20.00%
MainFrame Computers	340	-	12.50%
MainFrame Software	340	-	12.50%
Other Machinery & Equipment	340	-	5.00%
Stores Equipment	342	-	3.28%
Power Equipment	345	-	5.00%
Communication Equipment	346	-	12.50%
Miscellaneous Equipment	347	-	5.56%
Transportation Equipment	341	-	10.77%
Tools, Shop and Garage Equip.	343	-	7.31%
Other Tangible Plant	348	-	3.33%
Fiscal Year Ending 12/31/2012		\$ 795,000	

AQUA ILLINOIS, INC.
 AQUA ILLINOIS - CRYSTAL CLEAR WATER
 PROPOSED DEPRECIATION RATES

		<u>Water Rates</u>
<u>Intangible Plant</u>		
301	Organization	0.00%
302	Franchises & Consents	0.00%
<u>Source of Supply Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.17%
305	Collecting & Impounding Res.	1.50%
306	Lake, River and Other Intakes	1.47%
307	W ells and Springs	1.67%
309	Supply Mains	1.89%
<u>Pumping Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	2.27%
310	Power Generating Equipment	3.33%
311	Source of Supply & Pumping Equip.	3.13%
311	Source of Supply & Pumping Equip. - Hydraulic	3.13%
311	Transmission & Distribution Pumping Equip.	3.13%
<u>W ater Treatment Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	2.78%
320	W ater Treatment Equipment	3.57%
<u>Transmission & Dist. Plant</u>		
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.17%
330	Dist. Reservoirs & Standpipes	1.67%
331	T & D Mains	1.89%
333	Services	3.33%
334	Meters	6.21%
334	Meter Installations	4.44%
335	Hydrants	3.95%
339	Other Plant & Misc. Equipment	5.56%

AQUA ILLINOIS, INC.
AQUA ILLINOIS - CRYSTAL CLEAR WATER
PROPOSED DEPRECIATION RATES

<u>General Plant</u>		<u>Water Rates</u>
303	Land and Land Rights	0.00%
304	Structures and Improvements	4.00%
344	Laboratory Equipment	5.00%
340	Office Furniture	4.74%
340	Personal Computers	12.50%
340	PC Software	20.00%
340	MainFrame Computers	12.50%
340	MainFrame Software	12.50%
340	Other Machinery & Equipment	5.00%
342	Stores Equipment	3.28%
345	Power Equipment	5.00%
346	Communication Equipment	12.50%
347	Miscellaneous Equipment	5.56%
341	Transportation Equipment	10.77%
343	Tools, Shop and Garage Equip.	7.31%
348	Other Tangible Plant	3.33%