

Before the  
Illinois Commerce Commission

Docket No. \_\_\_\_\_

In the Matter of

Approval of the Annual Reconciliation  
for and the Resulting Increase in the  
Surcharge For Purchased Sewer for  
Sewer Utility Service Sold by  
**Harbor Ridge Utilities, Inc.** within  
Lake County

Direct Testimony of

Justine Silvey  
Assistant Regulatory Analyst

for

Harbor Ridge Utilities, Inc.

March 14, 2003

1 Q. Please state your name and business address.

2 A. My name is Justine Silvey. My business address is 2335 Sanders Road,  
3 Northbrook, Illinois 60062.

4

5 Q. What is your occupation?

6 A. I am the Assistant Regulatory Analyst of the Regulatory Department  
7 for Utilities, Inc. and its subsidiaries.

8

9 Q. Please summarize your professional background?

10 A. I have been employed by Utilities, Inc. since April of 1998. Since  
11 that time I have been involved in many phases of rate-making in  
12 several regulatory jurisdictions. I graduated from Northern Illinois  
13 University in 1997. I attended rate school co-sponsored by National  
14 Association of Regulatory Utility Commissioners and Florida State  
15 University in the fall of 1998.

16

17 Q. Please explain your job responsibilities with Utilities, Inc.?

18 A. My responsibilities include: financial analysis of individual  
19 subsidiaries of Utilities, Inc., facilitation of commission audits,  
20 and the submission of financial schedules to support a request for  
21 an increase in rates.

22

23 **Background**

24

25 Q. Please describe Harbor Ridge Utilities, Inc.

26 A. Harbor Ridge Utilities, Inc. ("Harbor Ridge") is a wholly owned  
27 subsidiary of Utilities, Inc. (UI). Water Service corporation (WSC)  
28 manages the operation for all of UI's water and wastewater systems,  
29 including Harbor Ridge. WSC provides management, administration,  
30 engineering, accounting, billing, data processing, and regulatory  
31 services for the utility systems. WSC's expenses are assigned

1 directly to a utility or distributed to the various companies  
2 pursuant to a formula that has been approved by the Commission.  
3 Harbor Ridge provides sewer service to approximately 287 customers  
4 in Lake County. Harbor Ridge purchases its sewer treatment from  
5 Lake County Public Works and passes on this cost to its customers  
6 through a purchased sewer surcharge. The current surcharge for  
7 purchased sewer was approved by the Commission and effective as of  
8 September 15, 2002.

9  
10 **Surcharge for Purchased Sewer Annual Reconciliation**

11  
12 **Q. Mrs. Silvey, what is the purpose of your testimony here today?**

13 **A.** Pursuant to Section 655.50 of Title 83 of the Illinois  
14 Administrative Code 200, Harbor Ridge must file an annual  
15 reconciliation of its surcharge for purchased sewer to the  
16 Commission. The purpose of my testimony is to explain to the  
17 Commission the details of Harbor Ridge's annual reconciliation of  
18 its surcharge for purchased sewer and to explain the request of an  
19 increase in this surcharge based on this annual reconciliation. In  
20 addition, I will sponsor the Company's financial exhibits.

21  
22 **Q. What is the purpose of the annual reconciliation for Harbor Ridge's  
23 surcharge for purchased sewer?**

24 **A.** As previously mentioned Harbor Ridge purchases its sewer from Lake  
25 County Public Works and passes on this cost to its customers through  
26 a surcharge for purchased sewer. The current surcharge was  
27 calculated in accordance with Illinois Administrative Code using  
28 estimates of the cost of purchased sewer and consumption in gallons.  
29 The annual reconciliation compares actual costs of purchased sewer  
30 to revenue collected through the surcharge. Any difference between  
31 these amounts is used as a reconciliation component in a revised  
32 surcharge calculation in order to recover or refund monies owed or  
33 due, respectively, in the current year.

34  
35 **Q. What period does the annual reconciliation cover?**

1 A. In accordance with Section 655.50 (d) of Title 83 of the Illinois  
2 Administrative Code 200, the initial reconciliation year begins with  
3 the effective date of the surcharge for purchased sewer and ends on  
4 December 31 of that year. Harbor Ridge's reconciliation year begins  
5 on September 15, 2002, and ends on January 15, 2003 to reflect the  
6 proper billing cycles.

7  
8 **Q. Mrs. Silvey, what was the actual cost of sewer purchased from Lake  
9 County Public Works in the reconciliation year?**

10 A. The total cost of the sewer purchased from Lake County Public Works  
11 in the reconciliation year was \$17,242.96, as indicated in Schedule  
12 1. This amount was derived from invoices received from Lake County  
13 Public Works, which have been attached to the Petition filed with  
14 the Commission.

15  
16 **Q. What was the amount of revenue collected through the current  
17 surcharge in the reconciliation year?**

18 A. The revenue arising from the current surcharge in the reconciliation  
19 year totals \$16,922.33, as indicated in Schedule 2. The general  
20 ledgers supporting monthly revenue collected have been attached to  
21 the Petition filed with the Commission.

22  
23 **Q. What is the result of the annual reconciliation of the surcharge for  
24 purchased sewer for Harbor Ridge?**

25 A. The difference between the actual cost of purchased sewer and the  
26 revenue collected to cover these costs is \$320.63 as indicated in  
27 Schedule 3. As noted in the exhibit, the revenue collected was not  
28 sufficient to cover all costs of purchased sewer. Therefore, this  
29 difference of \$320.63 is the reconciliation component of the  
30 surcharge calculation and will be recovered in the current year.

31  
32 **Purchased Sewer Surcharge Calculation**

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1 Q. How was the current surcharge for purchased sewer calculated?

2 A. The current surcharge for purchased sewer was determined using the  
3 following calculation provided by the Illinois Administrative Code:

$$4 \quad SCbu = \frac{PST + R + O}{BU}$$

$$8 \quad CRSCbu = SCbu - AMC$$

$$11 \quad RMSC = \frac{SCbu \times RAMU}{NCr}$$

13 Where:

14 SCbu = Average charge for purchased sewage treatment per billing  
15 unit of water to be billed to residential and commercial  
16 customers during the base period.

18 PST = Estimated cost of purchased sewage treatment charges from  
19 the supplier for the base period.

21 R = Utility-determined reconciliation component.

23 O = Commission-ordered adjustment component.

25 BU = Number of billing units to be billed to customers during the  
26 base period. Stated in 1,000 gallon units.

28 CRSCbu = Large commercial rate sewage treatment charge for purchased  
29 sewage treatment per billing unit of water to be billed.

31 AMC = Billing adjustment for the large commercial minimum charge.

33 RMSC = Residential monthly sewage treatment charge. (The multi-  
34 unit residential monthly sewage treatment charge is equal to  
35 RMSC x .85)

37 RAMU = Total residential average estimated monthly water usage for  
38 the base period. Stated in 1,000 gallon units.

40 NCr = Number of residential and multi-unit residential customers  
41 (each multi-unit residential customer being equal to .85 of  
42 one residential customer).

43

44 Q. Did you use this same calculation in determining a revised surcharge  
45 for purchased sewer?

46 A. Yes. As documented in Schedule 4, the same calculation was used to  
47 compute a revised surcharge. However, actual amounts from the  
48 reconciliation year for the charges from the supplier (PST) and the  
49 billing units (BU) were used in the revised calculation. In

1 addition, the reconciliation component (R) of \$320.63 calculated in  
2 the annual reconciliation was included.

3

4 **Surcharge Analysis**

5

6 **Q. What is the current surcharge for purchased sewer at Harbor Ridge?**

7 A. The present surcharge for purchased sewer is \$3.58 per 1,000  
8 gallons.

9

10 **Q. What is the proposed surcharge for purchased sewer at Harbor Ridge  
11 and its impact on the average customer?**

12 A. The proposed surcharge for purchased sewer is \$3.67. Based on the  
13 average consumption of approximately 4,800 gallons, the customers'  
14 average monthly surcharge will be \$15.30 or an increase of \$0.09 per  
15 month.

16

17 **Q. Does this conclude your testimony?**

18 A. Yes it does.