

**DIRECT TESTIMONY**

**of**

**Cheri L. Harden  
Rate Analyst**

**Rates Department  
Financial Analysis Division  
Illinois Commerce Commission**

**Proposed General Increase in Sewer Rates**

**Utilities, Inc. d/b/a  
Cedar Bluff Utilities, Inc.**

**Docket No. 03-0398**

**August 28, 2003**

1 **Q. Would you please state your name and business address?**

2 A. Cheri L. Harden, 527 East Capitol Avenue, Springfield, Illinois 62701.

3

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Illinois Commerce Commission ("Commission") as a Rate  
6 Analyst in the Rates Department in the Financial Analysis Division.

7

8 **Q. How long have you been employed by the Illinois Commerce Commission?**

9 A. I have been employed by the Commission since September 2000. My  
10 responsibilities include rate design and cost of service analyses for electric,  
11 water and gas utilities and the preparation of testimony on rates and rate-related  
12 matters.

13

14 **Q. Will you please briefly state your qualifications?**

15 A. I graduated from the University of Maryland in 1993, with a Bachelor of Science  
16 degree in Management Studies.

17

18 Previously, I worked for the Wyoming Public Service Commission for almost  
19 seven years. The last two positions I held were as the Consumer Services  
20 Coordinator and as a Rate Analyst. I analyzed telecommunications, electric  
21 (investor-owned and cooperatives), gas, water and pipeline company filings. I  
22 reviewed a variety of cases including mergers, tariff revisions, fuel adjustments,  
23 certificate applications, complaints, contract/interconnection agreements and  
24 rate cases. I also worked on special projects such as the Universal Service

25 Fund, Annual Reports and Year 2000 Preparedness.

26

27 **Q. Have you formerly testified before regulatory bodies?**

28 A. Yes, I have testified on several occasions before the Illinois Commerce  
29 Commission and the Wyoming Public Service Commission.

30

31 **Q. What area does your testimony address?**

32 A. My testimony will discuss Cedar Bluff Utilities, Inc.'s ("Cedar Bluff" or "Company")  
33 filing for a general increase in rates. I will be presenting testimony and exhibits  
34 concerning my rate design. I will also testify to the proposed test year billing  
35 units and the development of charges associated with miscellaneous operating  
36 revenue.

37

38 **Q. Are you making any recommendations concerning the appropriateness of**  
39 **the total annual revenue requirement for the Company in this proceeding?**

40 A. No, I am not. My testimony is directed toward the review of the proposed tariffs  
41 (and underlying support) filed by the Company to recover the revenue  
42 requirement deemed appropriate in this proceeding.

43

44 **Q. Please explain how your testimony is organized.**

45 A. I begin with a review of the Company's test year billing units and proposed

46 proforma total revenues. Then I will present issues related to rate design. I  
47 conclude with miscellaneous tariff charge issues.

48

49 **Q. Are you presenting any schedules?**

50 A. Yes I am.

51 Schedule 5.1 – Rate Design Analysis

52 Schedule 5.2 – Typical Bill Calculation

53

54 **Q. Did you send any data requests to the Company?**

55 A. I am adopting data requests WDM 1.01 – 1.16. I used these data responses,  
56 which Staff received from the Company on June 13, 2003, in preparing my  
57 testimony.

58

59 **Q. Please describe Cedar Bluff Utilities, Inc.**

60 A. Cedar Bluff is a wholly owned subsidiary of Utilities, Inc. (“UI”) who owns 24  
61 water and wastewater utilities in Illinois. Water Service Corporation (“WSC”)  
62 manages the operation for all of UI’s water and wastewater systems, including  
63 Cedar Bluff. WSC provides management, administration, engineering,  
64 accounting, billing, data processing, and regulatory services for the utility  
65 systems. (Ross, Direct Testimony, p. 1)

66

67 Cedar Bluff provides sewer collection and treatment service to approximately  
68 132 customers in Peoria County. (Ross, Direct Testimony, p. 2).

69

70 **TEST YEAR BILLING UNITS AND TOTAL REVENUES**

71 **Q. What test year usage levels and billing units is the Company proposing to**  
72 **use in this case?**

73 A. The Company is proposing to use year ending December 2002, usage levels  
74 and billing units for the test year. (Ross Direct Testimony, p. 2)

75

76 **Q. Do you have any adjustments to the Company's proposed proforma test**  
77 **year usage levels and billing units?**

78 A. Yes, I do. On the Company's Schedule E, Proposed Revenues the Company  
79 shows billing units to be 1,560 for the Monthly Rate. That equates to 130  
80 customers over the 12-month period.

81

82 The Company stated in WDM 1.01 that the Company has had 132 customers for  
83 each year ending 1998, and through the latest billing period of 2003. In WDM  
84 1.12, the Company stated that the billing units represent the actual billing units  
85 for 2002. The Company further explains that there are 132 meters located within  
86 the service area, however, two of these meters were unused for part of the test  
87 year. In all other aspects of the case, for example in WDM 1.11, the customer

88 count has been referred to as 132. In this data response the customer count of  
89 132 was used to convert from a quarterly billing cycle to a monthly billing cycle  
90 and the cost increase that would result from the change.

91

92 I am proposing a customer count of 132, which translates to 1,584 billing units.

93

94 **Q. Did you review the Company's exhibits, workpapers, and data request**  
95 **responses concerning present and proposed revenues?**

96 A. Yes, I did.

97

98 **Q. Has the Company identified Miscellaneous Operating Revenues for the test**  
99 **year?**

100 A. Yes, the Company has identified a total of \$293 in Miscellaneous Operating  
101 Revenues for the test year. This was identified in Company response to Staff  
102 Request WDM 1.03 as consisting of \$125.00 in Forfeited Discounts and \$168 in  
103 New Customer Charge revenues. However, in a Data Request WDM 1.04 the  
104 Company identified a dollar amount of \$25.77 for Late Payment Charges that did  
105 not seem to be identified in the response from the Company to Date Request  
106 WDM 1.03.

107

108 **Q. Has the Company provided any evidence to explain this discrepancy?**

109 A. The Company stated, through direct conversation with Staff, that the Forfeited  
110 Discount figure of \$125 represents the full amount of Late Payment Charges  
111 collected by the Company for the test year including the \$25.77.

112

113 **Q. Do you have any adjustments to revenues because of your review?**

114 A. Yes, I have adjusted Miscellaneous Operating Revenues as discussed below.

115

116 Forfeited Discounts are based on Late Payment Charges that customers pay  
117 when their bills are past due as previously discussed. Late Payment Charges  
118 are 1.5 % of a customer's total bill each month. Therefore, if the Company's  
119 rates increase, Forfeited Discounts/Late Payment Charge revenues will also  
120 increase. I made an adjustment to reflect approximately the same number of  
121 customers paying their bills after the due date, but at Staff's proposed rates.

122

123 I have also adjusted the New Customer Charge under Miscellaneous Operating  
124 Revenues. As discussed later in my testimony I propose to increase the New  
125 Customer Charge from \$12 to \$15.

126

127 Miscellaneous Operating Revenues can be found on ICC Staff Exhibit 5.0,  
128 Schedule 5.2.

129

130 **RATE DESIGN**

131 **Q. Please explain the Company's present rate structure.**

132 A. The Company's present rate structure consists of a flat monthly rate for  
133 service that is billed quarterly. The Company's present and proposed  
134 charges under the current rate structure can be found on ICC Staff Exhibit  
135 5.0, Schedule 5.1.

136

137 **Q. What methodology do you propose to use for the development of rates?**

138 A. I propose to increase the current rates to meet the revenue requirement  
139 proposed by Staff witness Leslie Pugh. I have taken Staff's proposed revenue  
140 requirement and subtracted out the Miscellaneous Operating Revenues and then  
141 divided it by the billing units.

142

143 **Q. What charges are you recommending in this case?**

144 A. My proposed flat monthly rate is shown on ICC Staff Exhibit 5.0, Schedule 5.1.

145

146 **Q. Did you prepare a typical bill calculation?**

147 A. Yes, I did. It is attached as ICC Staff Exhibit 5.0, Schedule 5.2.

148

149 **Q. If the Commission determines a revenue requirement for Cedar Bluffs,**  
150 **other than that recommended by Staff, how do you recommend the rates**

151 **be adjusted?**

152 A. I recommend the rates be recalculated using the same method as I present in  
153 this testimony.

154

155 **MISCELLANEOUS TARIFF ISSUES**

156 **Q. What do you propose with respect to Miscellaneous Operating Charges?**

157 A. I propose a set of charges that are consistent, to the extent possible, with the  
158 corresponding Miscellaneous Operating Charges for other Utilities, Inc. water  
159 and sewer companies participating in the current round of rate proceedings.  
160 That proposal includes an NSF Check Charge of \$10 and a New Customer  
161 Charge of \$15.

162

163 **Q. Please begin your discussion by explaining your proposed NSF Check**  
164 **Charge of \$10.**

165 A. The Company's current and proposed charge is \$5, which has been in effect  
166 since 1986 (Company Response to WDM 1.16). However, as the Company  
167 itself recognizes there has been inflation since 1986 and the proposed charge  
168 should be adjusted accordingly (Id.). In addition, the Company states it would  
169 not object to a uniform NSF Check Charge across UI operating companies (Id.).  
170 The Staff proposed \$10 charge recognizes the impact of inflation since 1986.  
171 Further, given that there is currently a \$10 NSF Check Charge in effect for UI's

172 Northern Hills Water & Sewer Company, that was approved by the Commission  
173 in Docket No. 98-0045, Staff's proposal is more consistent with current  
174 Commission practice. Finally, since this same proposal is made for other UI  
175 companies, it will advance the goal of uniformity.

176

177 **Q. Please explain your proposed New Customer Charge of \$15.**

178 A. The Company's current and proposed charge is \$12, which has been in effect  
179 since 1986 (Company Response to WDM 1.15). However, as the Company  
180 itself recognizes there has been inflation since 1986 and the proposed charge  
181 should be adjusted accordingly (Id.). In addition, the Company states it would  
182 not object to a uniform New Customer Charge across UI operating companies  
183 (Id.). The Staff proposed \$15 charge recognizes the impact of inflation since  
184 1986. Further, given that there is currently a \$15 New Customer Charge in  
185 effect for UI's Northern Hills Water & Sewer Company that was approved by the  
186 Commission in Docket No. 98-0045. Since this same proposal is made for other  
187 UI companies, it will advance the goal of uniformity.

188

189 **Q. Did the Company propose changes or updates to its current Rules,**  
190 **Regulations and Conditions of Service tariffs in its initial filing for this**  
191 **case?**

192 A. Yes. The Company has proposed to update its Rules, Regulations, and

193 Conditions of Service tariffs since they have not been updated in more than 17  
194 years. (Ross, Direct Testimony, p. 7) These changes will be addressed by ICC  
195 Staff Witness Mr. William Marr in ICC Staff Exhibit 3.0.

196

197 **Q. Do you have any further recommendations to the Commission?**

198 A. Yes. I recommend that the Commission order Cedar Bluffs to file the rate tariffs,  
199 within 10 days of the final Order with an effective date of not less than 10  
200 working days after the date of filing, for service rendered on and after their  
201 effective date, with individual tariff sheets to be corrected within that time period  
202 if necessary.

203

204 **Q. Does this conclude your direct testimony in this proceeding?**

205 A. Yes, it does.

206

207

# RATE DESIGN ANALYSIS

Cedar Bluffs Utilities, Inc.  
Docket No. 03-0398  
ICC Staff Exhibit 5.0  
Schedule 5.1

	Company Present			Company Proposed			% increase	Staff Proposed			% increase
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue	over Present	Billing Units	Rate	Revenue	over Present
<b>Monthly Rate</b>											
Residential Sewer	1,560	\$29.40	\$45,864	1,560	\$36.59	\$57,080	24.5%	1,584	\$29.86	\$47,298	1.6%
SUBTOTAL			\$45,864			\$57,080	24.5%			\$47,298	
<b>MISC. OPERATING REV.</b>											
Forfeited Discounts/Late Payment Charges			\$125			\$125	0.0%			\$129	3.2%
New Customer Charge			\$192			\$168	-12.5%			\$210	9.4%
Misc. Service Revenues			\$0			\$0				\$0	
Uncollectible Accounts			\$0			\$0				\$0	
Reconnection Fee			\$0			\$0				\$0	
Non Sufficient Funds (NSF)			\$0			\$0				\$0	
MISC. SUBTOTAL			\$317			\$293	-7.6%			\$339	6.9%
<b>TOTAL OPERATING REVENUE</b>											
			\$46,181			\$57,373	24.2%			\$47,637	3.2%

**CEDAR BLUFF UTILITIES, INC.**  
**TYPICAL RESIDENTIAL BILL COMPARISON**

Docket No. 03-0398  
ICC Staff Exhibit 5.0  
Schedule 5.2

LINE NO.		CURRENT	COMPANY PROPOSED	STAFF PROPOSED
1	MONTHLY RATE	\$29.40	\$36.59	\$29.86
2	% INCREASE		24.5%	1.6%