

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

DEL-MAR WATER COMPANY)
)
Petition pursuant to Section 9-220.2 of the) Docket No. 03-0180
Illinois Public Utilities Act and 83 Illinois)
Administrative Code 200 for the approval of the)
annual reconciliation for and the resulting)
increase in the surcharge for purchased water.)

DRAFT ORDER

I. INTRODUCTION

On March 18, 2003, the Del-Mar Water Company (“Del-Mar” or the “Company” or “Petitioner”) filed a Petition pursuant to Section 9-220.2 of the Public Utilities Act (the “Act”), 220 ILCS 5/9-220.2, requesting that the Illinois Commerce Commission (“Commission”) enter an order approving the annual reconciliation of the surcharge for purchased water service, and thereby approving an increase in the surcharge for purchased water.

Pursuant to notice as required by law and the Commission’s rules, a hearing was held in this matter before a duly authorized Administrative Law Judge (“ALJ”) at the Commission’s offices in Chicago, Illinois on August 19, 2003. Del-Mar appeared by counsel and presented the testimony of one witness, Ms. Amanda M. Ross, Senior Regulatory Accountant for Utilities, Inc. (“UI”) and its subsidiaries. The Staff of the Commission (the “Staff”) also appeared by counsel at the hearing and presented the testimony of one witness, Ms. Carolyn L. Bowers, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission. At the conclusion of the evidentiary hearing, the record was marked “heard and taken.”

Del-Mar Water Company ("Del-Mar") is a wholly owned subsidiary of UI. Water Service Corporation ("WSC") manages the operation for all of UI's water and wastewater systems, including Del-Mar. WSC provides management, administration, engineering, accounting, billing, data processing, and regulatory services for the utility systems. WSC's expenses are assigned directly to a utility or distributed to the various companies pursuant to a formula that has been approved by the Commission.

Del-Mar provides water service to approximately 83 customers in Lake County. Del-Mar purchases its water from the City of Lake Forest and passes on this cost to its customers through a purchased water surcharge. The current surcharge for purchased water was approved by the Commission and became effective September 1, 2002.

II. THE PROPOSED RECONCILIATION

The current surcharge was calculated in accordance with 83 Ill. Adm. Code 655.40, using estimates of the cost of purchased water and consumption in gallons. The annual reconciliation compares actual costs of purchased water to revenue collected through the surcharge. Any difference between these amounts is used as a reconciliation component in a revised surcharge calculation to recover or refund monies owed or due ratepayers in the current year.

The initial reconciliation period begins with the effective date of the surcharge for purchased water and ends on December 31 of that year. 83 Ill. Adm. Code 655.50(d). Therefore, Del-Mar's reconciliation period begins on September 1, 2002, and ends on December 31, 2002.

The Company indicated that the total cost of the water purchased from the City of Lake Forest in the reconciliation period was \$13,109.42. This amount was derived from

invoices received from the City of Lake Forest. As indicated in the Company's initial filing, the revenue arising from the current surcharge in the reconciliation period totals \$12,264.46. According to the Company, the difference between the actual cost of purchased water and the revenue collected to cover these costs is \$844.96. Because the revenue collected was not sufficient to cover all costs of purchased water, the difference of \$844.96 is the utility-determined reconciliation component of the surcharge calculation and is being recovered in the current year.

The current surcharge for purchased water was determined using the following calculation provided by the Illinois Administrative Code:

$$VC = \frac{VSC + Rv + Ov}{VBU}$$

Where:

- VC = Variable charge per variable billing unit (\$ per 1,000 gallons) to be billed customers during the base period.
- VSC = Estimated variable charge from the supplier (City of Lake Forest) during the base period.
- Rv = Utility-determined reconciliation component for the variable charge.
- Ov = Commission-ordered adjustment component for the variable charge.
- VBU = Variable billing units for water to be billed to customers during the base period expressed in 1,000-gallon increments.

However, actual amounts in the reconciliation period for the charges from the supplier (VSC) and the billing units (VBU) were used in the revised calculation. In addition, the utility determined reconciliation component (Rv) of \$844.96 calculated in the annual reconciliation was included.

Ms. Carolyn L. Bowers of the Commission's Staff reviewed Del-Mar's filing and determined that no adjustments were necessary to the Company's proposed reconciliation and schedules. Accordingly, she recommended that the proposed reconciliation be accepted.

III. COMMISSION FINDINGS AND ORDER

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) the Del-Mar Water Company is a corporation engaged in the provision of water service to the public in Illinois, and is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over Petitioner and over the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and are hereby adopted as findings of fact;
- (4) the evidence shows that Petitioner has acted reasonably and prudently in incurring costs in connection with purchased water during the reconciliation period;
- (5) for the period September 1, 2002 through December 31, 2002 (the "reconciliation period"), Petitioner has reconciled satisfactorily its revenues collected under its water surcharge and its prudently incurred costs of purchased water;
- (6) for the reconciliation period, Petitioner's prudently purchased water costs were \$13,109.42 and its collections for that period were \$12,264.46, producing an

underrecovery of \$844.96; the underrecovery is being recovered through operation of the surcharge;

(7) Petitioner's proposed increase in the surcharge is reasonable and should be approved; and

(8) all motions, objections, or other matters in this proceeding which remain undisposed of should be disposed of consistent with the conclusion herein.

IT IS THEREFORE ORDERED that the reconciliation of purchased water costs and revenues submitted by Del-Mar Water Company for the reconciliation period September 1, 2002 through December 31, 2002, as set forth in Appendix A, shall be, and is hereby, approved.

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

By order of the Commission this ____ day of September, 2003.

Appendix A

PURCHASED WATER SURCHARGE RIDER

Monthly Variable Charge Formula

$$VC = \frac{VSC + Rv + Ov}{VBU}$$

Where:	Calculation
VC = Variable charge per variable billing unit (\$ per 1,000 gallons) to be billed to customers during the base period.	= \$ 5.04/1,000 gallons
VSC = Estimated variable charge from the supplier (City of Lake Forest) during the base period.	= \$ 13,109
Rv = Utility determined reconciliation component for the variable charge.	= \$ 844.96
Ov = Commission ordered adjustment component for the variable charge.	= 0
VBU = Variable billing units for water to be billed to customers during the base period expressed in 1,000 gallon increments.	= 2,770