STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

| Illinois-American Water Company | : |           |                                |

ORDER

By the Commission:


Illinois-American presented the testimony of Bob Kahn in support of the grant of a temporary certificate. Staff reviewed the testimony and accompanying exhibits and filed a verified statement recommending the grant of a temporary certificate. The Temporary Certificate of Public Convenience and Necessity was granted by the Commission in an Interim Order dated August 29, 2007.

Pursuant to due notice, hearings were held before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois. Appearances were entered for the Company and the Commission Staff (“Staff”) by their respective counsel. Municipalities located within 1 1/2 miles of the area in question were provided a copy of the Amended Application in accordance with 83 Ill. Admin. Code 200.150(b), and were served notice of the initial hearing. Other than Illinois-American and Staff, no appearances were entered at the hearings and no written entries of appearance or intervening petitions were filed. An evidentiary hearing was held in this docket on October 10, 2007.

Illinois-American presented the testimony of Bob Khan, Manager of Project Delivery and Developer Services for the Chicago-Metro Division of Illinois-American. William H.
Atwood, Jr. provided testimony on behalf of Staff. At the close of the hearings, the record was marked “Heard and Taken.” An agreed Draft Order was prepared by Illinois-American incorporating the suggested changes of Staff. This Order is substantively similar to the Draft Order prepared by the parties.

**Statutory Authority**

Section 8-406 of the Act governs the issuance of a Certificate of Public Convenience and Necessity (“Certificate”) in this matter. Specifically, Section 8-406(b) of the Act provides:

No public utility shall begin the construction of any new plant, equipment, property or facility which is not in substitution of any existing plant, equipment, property or facility or any extension or alteration thereof or in addition thereto, unless and until it shall have obtained from the Commission a certificate that public convenience and necessity require such construction. Whenever after a hearing the Commission determines that any new construction or the transaction of any business by a public utility will promote the public convenience and is necessary thereto, it shall have the power to issue certificates of public convenience and necessity. The Commission shall determine that proposed construction will promote the public convenience and necessity only if the utility demonstrates: (1) that the proposed construction is necessary to provide adequate, reliable, and efficient service to its customers and is the least-cost means of satisfying the service needs of its customers; (2) that the utility is capable of efficiently managing and supervising the construction process and has taken sufficient action to ensure adequate and efficient construction and supervision thereof; and (3) that the utility is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers.

**Relief Sought**

Illinois-American is a corporation organized under the laws of the State of Illinois and a public utility within the meaning of Section 3-105 of the Act. Its principal office is in Belleville, Illinois. Illinois-American provides water and sanitary sewer service in several counties of Illinois, including certain areas of Cook County.

In the instant docket, Illinois-American seeks a Certificate authorizing it to construct, operate and maintain the facilities necessary to provide water service to a parcel in Cook County, Illinois located at 700 North River Road, Mount Prospect, Illinois and to provide such service to an existing business on that parcel (“Accent Café”).
Accent Café has requested water service and entered into an agreement for water service. The proposed certificated service area is shown on a map identified as Revised Exhibit A attached to the Amended Application. The legal description of the parcel that is the subject of this docket was filed with the Amended Application and marked as Revised Exhibit B, and is attached as an Appendix to this Order. Illinois-American states that its current Chicago-Metro Division, Chicago Suburban District certificated service area is contiguous to this parcel.

**Nature and Purpose of Proposed Certification; Rates and Revenue Impact**

Illinois-American’s witness, Bob Khan, testified that Accent Café is without an adequate reliable source of water supply for fire suppression. The Cook County Department of Buildings and Zoning will close this existing business if the Accent Café cannot obtain an adequate water supply. Mr. Khan testified Illinois-American has obtained a permit for construction of the proposed water main extension from the Illinois Environmental Protection Agency. Illinois-American’s proposed construction of the water main extension is the least-cost means for the Accent Café to obtain the needed water service.

Mr. Khan testified that the estimated cost of the construction of the water facilities is $106,904.60. Illinois-American, the largest investor-owned water and wastewater utility in Illinois, has many years of experience managing and supervising this type of construction and is capable of efficiently managing and supervising the construction process. Mr. Khan stated that Illinois-American is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers. He added that the construction proposal is consistent with the Company’s longstanding practices, tariffs, and 83 Ill. Adm. Code 600 of the Commission’s regulations. To the extent that Illinois-American needs to finance any of the construction, the Company has access to all of the necessary funds to support its portion of the investments through its parent, American Water Works Company, Inc. (“AWW”) or AWW’s subsidiary, American Water Capital Corp.

Mr. Khan opined that Illinois-American is capable of providing adequate, reliable and efficient water service and the proposed construction of the water main extension is the least-cost means of providing the necessary water service.

Mr. Khan testified that Illinois-American has sufficient capacity to meet this estimated demand from the Accent Café. Current water system capacity in this water distribution system is rated at 11.45 million gallons per day (“mgd”) and the estimated demand for water service for the Accent Café is 0.006 mgd. The historical average and peak demand information is 1.93 mgd and 5.320 mgd for the Chicago Suburban District. Adding the estimated demand of this commercial building to the existing peak demand is still within the capacity of the water distribution system. Mr. Khan testified that no private easements would
be needed for the construction of the water main extension.

Mr. Khan testified that Illinois-American entered into a water service agreement with the Accent Café. Mr. Khan testified that the commercial customer will be subject to the rates, rules, regulations, and conditions of service tariffs for water service on file with the Commission and in effect and applicable to the Chicago-Metro Division of Illinois-American. This commercial building will receive Lake Michigan water and will be subject to the Purchased Water Surcharge Rider for the Chicago-Metro Division, Chicago Suburban District service area.

Mr. Khan stated that Illinois-American is unaware of any other public utility or water district with existing water facilities at close proximity to the commercial building or that is willing and able to provide water service to this parcel.

Staff’s Position

On September 12, 2007, Staff witness, William H. Atwood, Jr. filed Direct Testimony (ICC Staff Exhibit 2.0), in which he indicated that he reviewed the Amended Application, Direct, and Supplemental Direct Testimony of Bob Khan and all Exhibits attached thereto, and conducted an analysis regarding the Company’s request for a Certificate.

Mr. Atwood testified that the proposed construction of water facilities is necessary to provide adequate, reliable and efficient water service to the customer located within the proposed certificated service area, and that Illinois-American has proposed the least-cost means of providing water service to the area.

He further testified that Illinois-American is capable of efficiently managing and supervising the construction process and has the resources to finance the construction. He noted that Illinois-American is the largest investor-owned water and wastewater utility in Illinois and has many years of experience managing and supervising this type of construction.

Mr. Atwood agreed that Illinois-American’s water distribution system for this service area has sufficient capacity to meet the estimated demand of the Accent Café.

With respect to the rates and tariffs, Illinois-American proposes to apply to the area for which a Certificate is sought, the Rates, Rules, Regulations, and Conditions of Service Tariffs for water service that are in effect in its Chicago-Metro Division, Chicago-Suburban District. The
Commission Staff did not take issue with this proposal.

**Findings and Ordering Paragraphs**

Having reviewed the record, the Commission finds that the requested Certificate should be granted.

Illinois-American has demonstrated a need for water service in the proposed certificated service area, and has shown that the water main extension to and provision of water service in the area are necessary to provide adequate, reliable, and efficient water service to its customers and is the least-cost means of satisfying the water service needs of its customers within the meaning of Section 8-406(b) of the Act. The Commission also concludes that the Company is capable of efficiently managing and supervising the construction process and has taken sufficient action to ensure adequate and efficient construction and supervision thereof.

As noted above, Illinois-American proposes to serve the new area under the rates and regulations contained in the current tariffs applicable to the Chicago-Metro Division, Chicago Suburban District. The Commission finds this proposal to be reasonable.

Under Illinois-American’s proposal, the customer will contribute the $106,904.60 cost of the water main extension less 1 1/2 times the first year’s revenues. The proposed construction of the water main extension is in accordance with 83 Ill. Adm. Code 600.370 of the Commission’s regulations. The Commission finds this arrangement to be a reasonable allocation of the cost responsibility.

The Commission, having considered the entire record herein, is of the opinion and finds that:

1) Illinois-American is a public utility engaged in the business of furnishing water and wastewater utility service to the public in portions of the State of Illinois and is a public utility within the meaning of Section 3-105 of the Act;

2) the Commission has jurisdiction over Illinois-American and the subject matter herein;
3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact and law;

4) for the reasons indicated above, issuance of a Certificate for the area certificated below will promote the public convenience and is necessary thereto, as will the construction of water facilities described above, and the requirements of Section 8-406(b) of the Act have been met with respect thereto;

5) the Rates, Rules, Regulations, and Conditions of Service tariffs presently applicable in Illinois-American’s Chicago-Metro Division, Chicago Suburban District for water service should be applicable in the new area of certification; and,

6) The Certificate should be granted to Illinois-American as described below, subject to the conditions set forth herein.

IT IS THEREFORE ORDERED by the Commission that pursuant to Section 8-406 of the Act, Illinois-American is hereby granted a Certificate as follows:

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

IT IS HEREBY CERTIFIED that the public convenience and necessity require the construction, operation, and maintenance by Illinois-American of a public water utility distribution system and the provision of public water service to the public in connection therewith, in an area in Cook County, Illinois as described in the Appendix hereto.

IT IS FURTHERED ORDERED that the area certificated herein shall be included in the rates, rules, regulations, and conditions of service contained in the Company’s tariffs for water service for its Chicago-Metro Division.

IT IS FURTHER ORDERED that the relief granted herein does not authorize Petitioner to exercise eminent domain with respect to obtaining right-of-way for any water facilities to be constructed.
IT IS FURTHER ORDERED that the relief granted herein does not constitute authorization for any waivers from the requirement of 83 Ill. Adm. Code 300; 83 Ill. Adm. Code 600; or other rules or requirements applicable to Petitioner.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the 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 29th day of October, 2007.

(SIGNED) CHARLES E. BOX

Chairman