INTERIM ORDER

By the Commission:

I. INTRODUCTION AND PROCEDURAL HISTORY

On August 28, 2019, Illinois-American Water Company ("IAWC") filed, with the Illinois Commerce Commission ("Commission"), an Application for the issuance of a certificate of public convenience and necessity to provide water service to areas in LaSalle County, Illinois, and for the approval of the purchase of certain assets of the Village of Leonore ("Leonore"), Illinois, in accordance with Section 8-406 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq.

Pursuant to due notice, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge of the Commission in its offices in Chicago, Illinois on October 23, 2019. Counsel for IAWC and Commission Staff ("Staff") each entered an appearance. At the prehearing conference, IAWC and Staff indicated that Staff would be filing a Motion for Entry of an Agreed Interim Order, pursuant to Section 9-210.5 of the Act. Section 9-210.5 of the Act provides an optional procedure for determining fair market value and thence rate base when a large public utility providing sewer or water services acquires certain water or sewer utilities. No other parties have intervened in this docket. On October 30, 2019, Staff filed a Motion for Entry of Documents into Evidence and Entry of an Agreed Interim Order, accompanied by an Affidavit signed by William Atwood, a Water Engineer in the Water Engineering Program of the Commission’s Safety and Reliability Division. The Administrative Law Judge issued a ruling admitting the identified documents into evidence on the same day.

II. APPRAISER APPROVAL

The Application states that the water system lies in LaSalle County and serves a total of 68 customer connections. It indicates that under the terms of the Asset Purchase Agreement, and subject to approval of the Commission, IAWC would acquire
substantially all of the assets of Leonore’s water treatment and distribution system (“Water System”) for $100,000, pursuant to Section 9-210.5 of the Act.

IAWC is a large public utility as defined in Section 9-210.5(a) and the Water System is a water utility as provided in Section 9-210.5(a). Section 9-210.5 provides that the fair market value of the water or sewer utility being acquired is determined by averaging three appraisals. The appraisers are to be approved by the Manager of the Commission's Water Department. The appraisers may not have an interest in the matter and must comply with the standards set forth in Subsection 9-210.5(c)(1)-(5). The appraisers may be engaged by either the buyer or the seller of the water or sewer system. Section 9-210.5 of the Act provides that the terms of the engagement must be reasonable and must be approved by the Commission.

In his Affidavit, Mr. Atwood recounts that on October 3, 2019, he received an e-mail from IAWC identifying three appraisers with whom IAWC proposed to contract to determine the fair market value of the Systems: Edward J. Batis & Associates, Inc. (“Batis”), Goodman Appraisal Consultants, LLC (“Goodman”), and Jay M. Heap & Associates, Ltd. (“Heap”). Mr. Atwood attaches a copy of a letter from Eric Lounsberry, Director of the Safety and Reliability Division to IAWC. In the letter, dated October 7, 2019, Mr. Lounsberry indicates that to the best of his knowledge and belief, each of the appraisers, Batis, Goodman and Heap is disinterested and is licensed as a State-certified general real estate appraiser and therefore meet the requirements of Section 9-210.5(c) of the Act. He indicates that he approves the three appraisers and directs that the appraisers comply with each of the requirements of Subsection 9-210.5(c)(1)-(5). On October 15, 2019, IAWC provided copies of the engagement agreements (“Engagement Agreements”) into which IAWC proposed to enter with those three appraisers. Mr. Atwood asserts that he reviewed the Engagement Agreements and concluded that they are reasonable, and they meet the requirements of Section 9-210.5(c) of the Act. He includes copies of the IAWC letter and Engagement Agreements with his Affidavit. Mr. Atwood recommends that the Commission issue an Interim Order approving the Engagement Agreements with Batis, Goodman, and Heap.

III. COMMISSION ANALYSIS AND CONCLUSION

The Commission has considered the record and the request for approval of the Engagement Agreements with Batis, Goodman, and Heap. As recommended by Staff, the Commission finds that the terms of the Engagement Agreements are reasonable, and that the Engagement Agreements should be approved.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

(1) Illinois-American Water Company is an Illinois corporation engaged in the business of furnishing water and sanitary sewer 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 the parties 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) the terms of the Engagement Agreements are reasonable within the meaning of Section 9-210.5(c) of the Act;

(5) Illinois-American Water Company should engage the three appraisers under the terms of the Engagement Agreements and ensure that the appraisers complete appraisals of the Leonore Water System in compliance with Subsection 9-210.5(c)(1)-(5) of the Act;

(6) upon receipt of the appraisers’ reports, Illinois-American Water Company should provide copies of the reports to Staff in a reasonable time and manner; and

(7) the record in this proceeding shall remain open for the purpose of taking further evidence on the remaining issues.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the terms of the Engagement Agreements are found to be reasonable and are approved for the purposes contemplated in Section 9-210.5 of the Public Utilities Act, subject to compliance by Illinois-American Water Company with the conditions set forth in Findings (5) and (6) above.

IT IS FURTHER ORDERED that this Interim Order is not final and is not subject to the Administrative Review Law.

By Order of the Commission this 14th day of November, 2019.

(SIGNED) CARRIE ZALEWSKI
Chairman