By the Commission:

I. PROCEDURAL HISTORY

On March 15, 2018, Aqua Illinois, Inc. ("Aqua Illinois" or the "Company") filed with the Illinois Commerce Commission ("Commission") a Verified Petition ("Petition") requesting that the annual reconciliation hearing required by Section 9-220.2 of the Public Utilities Act ("Act") (220 ILCS 5/9-220.2) be initiated with respect to Qualifying Infrastructure Plant ("QIP") Surcharge Riders ("QIP Riders") in effect during calendar year 2017 for Aqua Illinois' Kankakee & Summerdale Water, Consolidated Water, Candlewick & Fairhaven Water, University Park Water, Consolidated Sewer, University Park & Tri-Star Estates & Sun River Terrace Sewer, and Ellwood Greens Sewer rate areas ("QIP Rate Areas" or "Rate Areas").

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, status hearings were scheduled in this matter before a duly authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Chicago, Illinois on August 23, 2018, June 19, 2019, and September 10, 2019. An evidentiary hearing was held in this matter on October 2, 2019. At the evidentiary hearing, Aqua Illinois presented the testimony of Paul J. Hanley, Controller of Aqua Illinois. Staff of the Commission ("Staff") presented the testimony of Scott Tolsdorff, an accountant in the Accounting Department of the Financial Analysis Division of the Commission. No intervening petitions were filed in this matter. On October 31, 2019, Aqua Illinois filed an Agreed Draft Order reviewed by Staff.

II. APPLICABLE AUTHORITY

Section 9-220.2 of the Act is titled, "Water and sewer surcharges authorized." Section 9-220.2(a) of the Act provides in part:

The Commission may authorize a water or sewer utility to file a surcharge which adjusts rates and charges to provide for recovery of … (iv) costs associated with an investment in qualifying infrastructure plant, independent of any other matters related to the utility’s revenue requirement. A surcharge approved under this Section can operate on an historical or prospective basis.

220 ILCS 5/9-220.2(a). Section 9-220.2(b) of the Act provides:
For purposes of this Section, “costs associated with an investment in qualifying infrastructure plant” include a return on the investment in and depreciation expense related to plant items or facilities (including, but not limited to, replacement mains, meters, services and hydrants) which (i) are not reflected in the rate base used to establish the utility’s base rates and (ii) are non-revenue producing. For purposes of this Section, a “non-revenue producing facility” is one that is not constructed or installed for the purpose of serving a new customer.

220 ILCS 5/9-220.2(b).

Section 9-220.2(c) of the Act states, “[o]n a periodic basis, the Commission shall initiate hearings to reconcile amounts collected under each surcharge authorized pursuant to this section with the actual prudently incurred costs recoverable for each annual period during which the surcharge was in effect.” 220 ILCS 5/9-220.2(c).

Provisions in Section 9-220.2 of the Act relating to a QIP Surcharge rider are implemented in 83 Ill. Adm. Code 656, “Qualifying Infrastructure Plant Surcharge.” “Qualifying infrastructure plant” is defined in Section 656.20 as follows:

“Qualifying infrastructure plant” means certain non-revenue producing eligible plant that is not reflected in the rate base used to establish the utility’s base rates and is consistent with the terms of Section 656.40 of this Part. Non-revenue producing plant is plant that is not constructed or installed for the purpose of serving a new customer.


83 Ill. Adm. Code 656.40(a) specifies criteria which must be met if plant additions are to be classified as QIP. One such criterion is that the plant additions must be replacements of existing plant items from four accounts, which apply to transmission and distribution mains, services, meters and meter installations, and hydrants.

Under Section 656.30(a) of the Illinois Administrative Code, the QIP surcharge is capped at 5% of the QIP base rate revenues billed to customers. Section 656.30(b) of the Illinois Administrative Code provides, “[o]n the effective date of new base rates that provide for the recovery of the costs that had previously been recovered under the QIP surcharge rider, the QIP surcharge percentage for the applicable rate zone shall be reset to zero.” 83 Ill. Adm. Code 656.30(b).

Formulas for determining the QIP surcharge percentage are set forth in 83 Ill. Adm. Code 656.60. The QIP surcharge is the amount added to the customer’s bill when the QIP surcharge percentage is applied. Subject to prior balances and the 5% cap, amounts recovered through the QIP surcharge may not exceed the authorized dollar return on allowable QIP investment (investment x rate of return) plus depreciation on allowable QIP investment.

Procedures and timelines for rider and information sheet filings, and for annual reconciliations, are contained in 83 Ill. Adm. Code 656.70 and 656.80.
III. AQUA ILLINOIS’ POSITION

Section 9-220.2 of the Act, 220 ILCS 5/9-220.2 and Section 656.80(a) of the Commission’s Rules, 83 Ill. Adm. Code 656.80(a), require that an annual reconciliation regarding operation of a QIP Rider be filed with the Commission on or before March 15 of the calendar year following a year in which the QIP Rider was in effect. In accordance with these requirements, Aqua Illinois timely filed its petition and an annual reconciliation for each QIP Rate Area on March 15, 2018.

Aqua Illinois states that on January 1, 2017, pursuant to the terms of the QIP Rider and 83 Ill. Adm. Code 656, Aqua Illinois placed into effect for each QIP Rate Area the QIP Surcharge Percentages specified in the Information Sheet filed in accordance with the terms of the QIP Rider for each Rate Area. These QIP Surcharge Percentages were implemented according to the following schedule:

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<th>Aqua Illinois asserts that, in accordance with the 2016 Reconciliation filing under 83 Ill. Adm. Code 656.80, the QIP Surcharge Percentages that became effective on April 1, 2017, did not change from the rates that were in effect from January 1, 2017.</th>
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<td>Aqua witness Hanley testifies that the QIP-related costs for each QIP Rate Area were prudently incurred, and presented exhibits that included a calculation of the “R” factor for each QIP Rate Area according to the following schedule, presented in Mr. Hanley’s revised direct testimony:</td>
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The exhibits presented by Aqua Illinois included a calculation of the “R” factor necessary to adjust actual revenue collected under the QIP Rider for the applicable QIP Rate Area to an amount equivalent to the actual level of prudently-incurred QIP cost for the reconciliation year 2017, a summary of the invoices supporting QIP project costs, and information supporting the prudence of the investment in QIP. Mr. Hanley further asserts that for all of the rate zones, the “R” factors reflect an under-recovery to be collected from the customers.

Aqua Illinois asserts that the Company is not filing revised information sheets for any of the rate zones because the final Order in Docket No. 17-0259 reset Aqua Illinois’ QIP rates to 0.00%.

IV. STAFF’S POSITION

Staff witness Tolsdorf performed a review of Aqua Illinois’ QIP Surcharge for the year ending December 31, 2017 and presented Staff’s proposed adjustment to include interest on the ordered adjustments from the previous reconciliation, Docket No. 17-0131.

Mr. Tolsdorf testified that in the prior period reconciliation there were Commission-ordered adjustments which impact this reconciliation and proposed to include interest on these ordered adjustments.

Staff recommends that:

1. the Commission approve the QIP Surcharge reconciliations as presented in Staff Exhibit 1.0, Schedules 1.01 through 1.07 for the Kankakee & Summerdale Water, Consolidated Water, Candlewick/Fairhaven Water, University Park Water, Consolidated Sewer, University Park/Tri-Star Estates/Sun River Terrace Sewer, and Elwood Greens Sewer Divisions;

2. interest be calculated on the ordered adjustments from Docket No. 17-0131 and that the interest be included as a Factor O in this proceeding; and

3. that Staff Exhibit 1.0, Schedules 1.01 through 1.07 be attached to the final Order in this proceeding as appendices.

Aqua Illinois accepted Mr. Tolsdorf’s adjustments and had no objection to Mr. Tolsdorf’s recommendations.

V. COMMISSION ANALYSIS AND CONCLUSION

There is no dispute between the parties that the implementation of the “R” factor will sufficiently adjust revenues for the Company’s Kankakee & Summerdale Water, Consolidated Water, Candlewick/Fairhaven Water, University Park Water, Consolidated Sewer, University Park/Tri-Star Estates/Sun River Terrace Sewer, and Elwood Greens Sewer Divisions and will result in an amount equal to the actual level of prudently-incurred QIP cost for the reconciliation year 2017. Accordingly, based on the record herein, the Commission concludes that Aqua Illinois’ reconciliation calculations for the aforementioned QIP Rate Areas for the reconciliation year 2017, as adjusted by Staff, are accurate. Therefore, the reconciliation amounts summarized in Staff Exhibit 1.0, Schedules 1.01–1.07, which are attached hereto as Appendices A-G, should be approved.
VI. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

(1) Aqua Illinois, Inc. provides water and sewer public utility service to the public in certain areas of the State of Illinois and, as such, is a “public utility” as defined in Section 3-105 of the Public Utilities Act;

(2) the Commission has jurisdiction over Aqua Illinois, Inc. and 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 the record and are hereby adopted as findings of fact;

(4) Aqua Illinois, Inc.’s QIP-related costs for the Kankakee & Summerdale Water Division, Consolidated Water Division, Candlewick/Fairhaven Water Division, University Park Water Division, Consolidated Sewer Division, University Park/Tri Star Estates/Sun River Terrace Sewer Division, and Elwood Greens Sewer Division were prudently incurred;

(5) the QIP Surcharge reconciliations as presented in Staff Schedules 1.01 through 1.07, attached hereto as Appendices A-G, are approved; and

(6) the determinations in this Order do not preclude the review of rate base items in future rate proceedings.

IT IS THEREFORE ORDERED that the reconciliation amounts in Finding (5) and summarized in Appendices A-G attached hereto are hereby approved.

IT IS FURTHER ORDERED that pursuant to Section 10-113(a) of the Public Utilities Act and 83 Ill. Adm. Code 200.880, any application for rehearing shall be filed within 30 days after service of the Order on the party.

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

By Order of the Commission this 8th day of January, 2020.

(SIGNED) CARRIE ZALEWSKI
Chairman