**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

**Illinois-American Water Company :**

 **:**

**Application for the Issuance of a Certificate :**

**of Public Convenience and Necessity to :**

**Provide Water Service to Areas in : 19-0653**

**Champaign County, Illinois, and for the :**

**Approval of the Purchase of Certain Assets :**

**of the Village of Sidney, Illinois, In :**

**Accordance with Section 8-406 of the :**

**Illinois Public Utilities Act. :**

**INTERIM ORDER**

By the Commission:

1. **INTRODUCTION AND PROCEDURAL HISTORY**

On June 6, 2019, Illinois-American Water Company ("IAWC") filed with the Illinois Commerce Commission ("Commission") a verified Application for an order pursuant to Section 8-406 of the Public Utilities Act, 220 ILCS 5/8-406 (the “Act”), issuing a Certificate of Public Convenience and Necessity to IAWC to provide water service to the areas in Champaign County, Illinois, now served by the Village of Sidney, an Illinois municipal corporation (“Sidney”), approving the accounting entries to record the transaction, approving the applicable rates and regulations for providing water service, establishing the water ratemaking rate base of Sidney and the IAWC district or tariff group with which Sidney shall be combined for water ratemaking purposes pursuant to Section 9-210.5 of the Act, 220 ILCS 5/9-210.5, and approving an Asset Purchase Agreement (“APA”) entered into between IAWC and Sidney.

Pursuant to due notice, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge (“ALJ”) of the Commission in its offices in Springfield on July 31, 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 a water or sewer utility as defined in the Act. No other parties have intervened in the docket.

On August 19, 2019, Staff filed a Motion for Entry of Documents into Evidence and Entry of an Agreed Interim Order, accompanied by an Affidavit signed by Jonathan Sperry, a Water Engineer in the Water Engineering Program of the Safety and Reliability Division. IAWC had no objection to entry of the documents into evidence or entry of the Interim Order. On August 20, 2019 the ALJ issued a ruling admitting the identified documents into evidence.

1. **APPRAISER APPROVAL**

The Application states that Sidney is a municipal corporation and a body politic located in Champaign County, Illinois. Sidney currently owns a water distribution system (“Water System”) by which it provides public water service to approximately 560 customer connections, or a population of about 1,210. Pursuant to the APA, and subject to approval of the Commission, IAWC would acquire substantially all of the assets of the Sidney Water System for Two Million Three Hundred Thousand Dollars ($2,300,000.00).

IAWC is a large public utility and the Sidney Water System is a municipality-owned water system that regularly provides water service as provided in Section 9-210.5(a). Section 9-210.5(c) provides that the fair market value of a water or sewer utility being acquired is determined by averaging three appraisals. The appraisers are to be approved by the Commission's Executive Director or designee. 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. Sperry recounted that on August 1, 2019, he received an e-mail from IAWC identifying three appraisers – Edward J. Batis & Associates, Inc. ("Batis"), Goodman Appraisal Consultants, LLC ("Goodman"), and Jay M. Heap & Associates, LTD (“Heap”) – with whom IAWC proposed to contract to determine the fair market value of the Sidney Water System. Mr. Sperry attached a copy of a letter from Eric Lounsberry, Director, Safety and Reliability Division of the Commission, to IAWC. In the letter, dated August 2, 2019, Mr. Lounsberry indicated 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 indicated 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).

IAWC then provided copies of the contracts (“Engagement Agreements”) with each of the three appraisers. Mr. Sperry asserted 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 included copies of the IAWC letter and Engagement Agreements with his Affidavit. Mr. Sperry recommended that the Commission issue an Interim Order approving the Engagement Agreements with Batis, Goodman, and Heap.

1. **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.

1. **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 Public Utilities Act;
2. the Commission has jurisdiction over Illinois-American Water Company and the subject matter in this proceeding;
3. the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(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 Sidney 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 the compliance by Illinois-American Water Company with the conditions set forth in Findings (5) and (6) above.

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

By Order of the Commission this 5th day of September, 2019.

(SIGNED) CARRIE ZALEWSKI

Chairman