

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 02-0690

IAWC REHEARING

EXHIBIT NO. SR-1

**SURREBUTTAL TESTIMONY ON REHEARING OF
RONALD D. STAFFORD**

ILLINOIS-AMERICAN WATER COMPANY

**SURREBUTTAL TESTIMONY ON REHEARING
OF
RONALD D. STAFFORD**

1 **Q. Please state your name.**

2 A. Ronald D. Stafford.

3 **Q. Are you employed in the same capacity as stated in your rebuttal testimony on**
4 **rehearing, and do you understand that you are still under oath?**

5 A. Yes.

6 **Q. What is the purpose of your surrebuttal testimony on rehearing?**

7 A. I will respond to the rebuttal testimony on rehearing of Staff witness Mike Luth.

8 **Q. Does Mr. Luth find the “compliance rates,” which are the rates presently in effect,**
9 **to be unreasonable or contrary to the Commission’s rate order?**

10 A. No. He states that “the rates currently in effect are reasonable and are based upon the
11 Order” (Staff Ex. 22.0, p. 5).

12 **Q. Does Mr. Luth find the “compromise rates” proposed by LWC witness Gorman to**
13 **be unreasonable?**

14 A. No, he states that they also are reasonable (Staff Ex. 22.0, p. 1).

15 **Q. Does Mr. Luth make any recommendation as to whether the “compliance rates”**
16 **should be revised in accordance with Mr. Gorman’s “compromise rates” or**
17 **otherwise?**

18 A. No.

1 **Q. Has Mr. Luth made any of the corrections to Mr. Gorman’s Exhibit MPG-3,**
2 **Schedule 1, that you enumerated in your rebuttal testimony on rehearing (IAWC**
3 **Rehearing Ex. R-1, pp. 5-6)?**

4 A. No. As I stated in my rebuttal testimony, the third block of the “compliance rates” for
5 Streator should be equal to the third block for Southern; the fourth block of both the
6 “compliance rates” and Mr. Gorman’s “compromise rates” for Streator should be shown
7 and should be equal to the fourth block for Southern; and there should be no reduction to
8 the “compliance rates” for the third and fourth blocks for Peoria, resulting in a slight
9 reduction to the Southern/Streator fourth block of Mr. Gorman’s “compromise rates.”

10 **Q. In your rebuttal testimony on rehearing, did you provide four reasons why the**
11 **“compliance rates” should not be revised as proposed by Mr. Gorman?**

12 A. Yes. In summary, these reasons are:

13 1. Mr. Gorman has provided no basis or reason why the “compliance rates” should
14 be changed.

15 2. Adoption of Mr. Gorman’s “compromise rates” would cause customer confusion.

16 3. Customers will not receive any material benefit from adoption of Mr. Gorman’s
17 “compromise rates.”

18 4. If Mr. Gorman’s “compromise rates” were adopted, the additional cost to
19 implement them outweighs any minor benefit to customers.

20 **Q. Does Mr. Luth provide an additional reason for rejection of Mr. Gorman’s**
21 **“compromise rates?”**

22 A. Yes. Mr. Luth points out that Mr. Gorman’s “compromise rates” would create a further
23 departure from cost of service for the residential, industrial customer and other water
24 utilities classes. His findings are:

Percentage of Cost of Service		
Class	Compliance Rates	Gorman Rates
Residential	105.6	105.8
Industrial	87.3	86.9
Other Water Utilities	86.8	86.5

1 In other words, Mr. Gorman proposes to push residential rates higher above cost of
2 service in order to lower industrial rates and other water utilities rates more below cost of
3 service (Staff Ex. 22.0, p. 3).

4 **Q. Does Mr. Luth demonstrate that Mr. Gorman’s proposed “compromise rates” raise**
5 **revenues from the residential class and decrease revenues from every other class,**
6 **except large industrial which is unchanged?**

7 A. Yes. According to the data in the table at pp. 5-6 of Staff Ex. 22.0, the following is a
8 comparison of class revenues under current rates and Mr. Gorman’s proposed rates:

Customer Class	Compliance Rates Revenues	Compromise Rates Revenues
Residential	44,770,463	44,859,317
Commercial	14,843,182	14,815,694
Industrial	5,812,260	5,789,625
Other Public Authority	3,376,404	3,363,363
Large Industrial	2,172,152	2,172,152
Other Water Utilities	8,928,104	8,903,374

1 **Q. Does Mr. Luth provide a rationale for rejecting Mr. Gorman’s proposed increase to**
2 **residential rates?**

3 A. Yes. He states that “with residential customers paying more than cost of service, current
4 rates place more of a priority on maintaining residential revenues at the same percentage
5 cost of service when reallocating the O’Fallon discount among customer classes” (Staff
6 Ex. 22.0, p. 5).

7 **Q. What is your recommendation?**

8 A. I continue to recommend that Mr. Gorman’s proposed changes to the “compliance rates”
9 be rejected.

10 **Q. Does this conclude your surrebuttal testimony on rehearing?**

11 A. Yes.