

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 04-0600

IAWC EXHIBIT NO. BK-1.0

DIRECT TESTIMONY OF BOB KHAN

ILLINOIS-AMERICAN WATER COMPANY

1 **Q. Please state your name, business address, telephone, and e-mail address for**
2 **the record.**

3 A. My name is Bob Khan. My business address is Illinois-American Water Company,
4 1000 Internationale Parkway, Woodridge, Illinois 60517. My telephone number is 630-
5 739-8825; and my e-mail address is bkhan@illinoisamerican.com.

6 **Q. What is your present position with Illinois-American Water Company**
7 **(“Company” or “Illinois-American”)?**

8 A. I am the Manager of Project Delivery and Developer Services for the Chicago-Metro
9 Division of Illinois-American Water.

10 **Q. Please summarize your responsibilities in such position.**

11 A. I am responsible for managing the new development process and the capital
12 improvement program for the Company.

13 **Q. Please give a summary of your work experience.**

14 A. From 1993 until 1997, I was the Manager of Plant Engineering for Citizens Utilities
15 Company of Illinois (“CUCI”). From 1998 until January 2002, I was the Director of
16 Engineering for CUCI. On January 15, 2003, I became the Engineering Manager for
17 Illinois-American's Chicago-Metro Division. On July 1, 2004, I commenced my current
18 position.

19 **Q. Please discuss your educational and professional background.**

20 A. I earned a Bachelor of Science degree in civil engineering from Texas A & M
21 University in 1984 and a Masters Degree in environmental engineering from the Illinois
22 Institute of Technology in 1990. I am a registered professional engineer in the State of
23 Illinois.

24 **Q. Are you a member of any professional organizations?**

25 A. Yes. I am a member of the American Water Works Association, Water Environmental
26 Federation, the American Society of Civil Engineers, and a member of the Design-
27 Build Institute.

28 **Q. Are you familiar with the Application for a Temporary Certificate which has been**
29 **filed in this proceeding?**

30 A. Yes. Through this proceeding the Petitioner is seeking to obtain a Temporary
31 Certificate of Public Convenience and Necessity to provide water and sanitary sewer
32 service to four single-family residences on Euclid Avenue, in Mt. Prospect, Illinois.

33 **Q. Could you identify Exhibit 1 to the Application?**

34 A. Exhibit 1 is the legal description of the area for which Illinois-American seeks authority
35 to provide water and sanitary sewer services in this proceeding.

36 **Q. In Docket No. 04-0522, has the Petitioner requested a permanent certificate of**
37 **public convenience and necessity for this same area?**

38 **A.** Yes. As a part of that docket, the Company is seeking a permanent certificate to
39 provide water and sanitary sewer services to these four residences, and several other
40 parcels.

41 **Q. Why is the Company presently seeking a temporary certificate for these**
42 **residences?**

43 **A.** Zlatka Pavlovic, who owns 1905 Euclid, has requested that the Company seek a
44 temporary certificate to provide her water and sanitary sewer service because she
45 does not have another means of obtaining water and sanitary sewer for her new
46 residence which is nearing completion. The adjacent homeowners have also
47 requested service.

48 **Q. Why does this residence not have a source of supply for water or sanitary**
49 **sewer?**

50 **A.** Ms. Pavlovic recently purchased the home at 1905 Euclid. She had the existing
51 structure demolished and construction begun on a new residence. During this
52 construction, the existing well was accidentally damaged by the excavator in the
53 backfilling process and is currently non-operational. In addition, the heavy excavating
54 equipment has damaged the septic system, which has left it unusable.

55 **Q. Please explain why granting the temporary certificate requested for the**
56 **residences described above would promote the public convenience and provide**
57 **adequate, reliable and efficient service to customers at the least cost.**

58 **A.** Illinois-American provides water and sanitary sewer service to the residence at 1901
59 Euclid. In order to provide service to these four residences, Illinois-American will only
60 need to extend its distribution system less than one block. Illinois-American's existing
61 service areas surround these four residences. It is obviously most cost-efficient for an
62 existing utility in the area to extend its mains rather than have a new entity come into
63 the area to establish service. Duplication of facilities and unnecessary costs would be
64 avoided. In addition, Ms. Pavlovic has no other available source of water or sanitary
65 sewer. Service to Ms. Pavlovic would, by necessity, pass in front of 1903 Euclid.
66 1907 and 1909 Euclid complete the block and the immediate area not presently
67 served by Illinois-American.

68 **Q. Have you caused to be prepared a location map showing Illinois-American's**
69 **presently certificated service area, including the parcels which are the subject of**
70 **this proceeding?**

71 **A.** Yes. The map is marked as Page 1 of Revised Exhibit A of the Amended Application
72 in Docket No. 04-0522, a copy of which is attached here as Exhibit IAWC BK 1.1.
73 These four residences are identified as Parcel C. These four residences are
74 surrounded by Illinois-American's existing certificated area.

75 **Q. Have you caused to be prepared an estimate of cost for the water facilities to be**
76 **constructed?**

77 A. The itemized cost estimate for the construction is attached to my testimony in Docket No. 04-
78 0522 as IAWC BK 1.1. The total cost estimate for these four residences is \$49,711. Sanitary
79 cost estimate is \$20,362 and water cost estimate is \$29,349.

80 **Q. Is Illinois-American capable of financing the proposed construction without significant**
81 **adverse consequences for the utility or its customers?**

82 A. Yes. The agreements that the Company will enter into with these four customers will be
83 consistent with longstanding CUCI/Illinois-American practices and tariffs; Part 600 of the
84 Commission's rules; and the settlement reached with the ICC Staff in Docket No. 01-0645. To
85 the extent that Illinois-American needs to finance any of the construction, Illinois-American
86 has access to all of the necessary funds to support its portion of these investments through its
87 parent American Water Works Company, Inc. ("AWW") or AWW's subsidiary, American Water
88 Capital Corp.

89 **Q. Will Illinois-American have sufficient capacity to meet the estimated demand**
90 **from these four residences?**

91 A. Yes. Capacity and estimated demands were included in my testimony in Docket No.
92 04-0522 as IAWC BK 1.2. Current water capacity in the Chicago Suburban service
93 area where these customers will be located is 7.67 mgd. The estimated demand for
94 these four residences is 0.0014 mgd. Water storage within this service area totals
95 1.90 million gallons. Illinois-American will provide sanitary sewer collection for these
96 four residences but sewer treatment will be provided by Metropolitan Water
97 Reclamation District of Greater Chicago ("MWRD").

98 **Q. Is Illinois-American capable of efficiently managing and supervising the**
99 **construction process incident to the provision of service to the described**
100 **parcels?**

101 **A.** Yes. Illinois-American is the largest investor-owned water and wastewater utility in
102 Illinois and has many years of experience managing and supervising this type of
103 construction. Experienced staff will manage and supervise this project.

104 **Q.** **What rules and regulations will be applicable to customers within the area**
105 **requested to be certificated in this proceeding?**

106 **A.** Those customers will be subject to the tariff rates, rules and regulations on file from
107 time to time and applicable to the Chicago-Metro Division of Illinois-American.

108 **Q.** **How will the water and sewer improvements be financed?**

109 **A.** The improvements will be financed in accordance with Part 600 of the Illinois
110 Administrative Code.

111 **Q.** **What rates will be charged by the Company for providing water and sanitary**
112 **sewer service to the customers of these residences?**

113 **A.** The rates which are in effect for its Chicago-Metro Division from time to time as
114 approved by the Illinois Commerce Commission.

115 **Q.** **Will these residences be subject to the Purchased Water Surcharge?**

116 **A.** Yes. Lake Michigan water is purchased from Glenview and provided to customers in
117 the Company's Chicago Suburban service area. In this proceeding and Docket No.
118 04-0522, the Company is seeking to add these four residences to the Chicago
119 Suburban service area.

120 **Q.** **Are there any other public water systems, which are willing and able to provide**
121 **service to these four residences?**

122 **A.** Not to the Company's knowledge.

123 **Q.** **Is any portion of the area sought to be certificated in this proceeding located**
124 **within 1-½ miles of the boundary of any municipality?**

125 A. Yes. The area is within 1-½ miles of the Cities of Mount Prospect, Glenview, Prospect
126 Heights, and Des Plaines. None of these municipalities has water or sewer collection
127 service in this immediate area, though.

128 **Q. Did you serve a Notice of the filing of the Application with the Illinois Commerce**
129 **Commission on the above-named municipalities, and was a copy of the**
130 **Application attached to such Notice?**

131 A. Yes, our Corporate Counsel mailed a Notice with an attached copy of the Application
132 to the municipalities on October 5, 2004.

133 **Q. Of the acreage requested to be certificated to Illinois-American, please describe**
134 **the current usage?**

135 A. The land is currently single-family residences.

136 **Q. What is the total amount of acreage for which a certificate is being requested in**
137 **this proceeding?**

138 A. 2.8 acres.

139 **Q. What amount of acreage may be removed from its current use due to a**
140 **permanent structure being installed, such as a meter vault to serve the area?**

141 A. No significant acreage will be removed due to permanent structures.

142 **Q. As a part of this Temporary Application, Petitioner is asking for a certificate for**
143 **sanitary sewer services. From what source will these customers at issue in this**
144 **docket receive sanitary sewer treatment?**

145 A. The sewage treatment will be provided by MWRD.

146 **Q. Will these residences be subject to the Purchase Sewer Treatment Surcharge or**
147 **billed separately for sewer treatment services by MWRD?**

148 **A.** No. The Purchased Sewer Treatment Surcharge Rider will not apply. MWRD will
149 provide sanitary sewer treatment. MWRD is funded by real estate taxes in Cook
150 County. MWRD does not bill for residential sewer services.

151 **Q. Are there any associated charges for the customers in this docket with regard to**
152 **treatment by an entity other than Illinois-American Water Company?**

153 A. No, the customers will not pay any treatment charges to any entity other than Illinois-
154 American Water Company.

155 **Q. Does this conclude your direct testimony?**

156 A. Yes, it does.