

IAWC EXHIBIT NO. BK-1.0

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 05-0724

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DIRECT TESTIMONY OF BOB KHAN

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ILLINOIS-AMERICAN WATER COMPANY

OFFICIAL FILE

I.C.C. DOCKET NO. 05-0724

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Witness \_\_\_\_\_

Date 4/7/06 Reporter *Djm*

- 1 **Q. Please state your name, business address, telephone, and e-mail address**  
2 **for the record.**
- 3 **A.** My name is Bob Khan. My business address is Illinois-American Water  
4 Company, 1000 Internationale Parkway, Woodridge, Illinois 60517. My telephone  
5 number is 630-739-8825; and my e-mail address is [bkhan@illinoisamerican.com](mailto:bkhan@illinoisamerican.com).
- 6 **Q. What is your present position with Illinois-American Water Company**  
7 **("Company", "Illinois-American", or "IAWC")?**
- 8 **A.** I am the Manager of Project Delivery and Developer Services for the Chicago-  
9 Metro 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  
15 Utilities Company of Illinois ("CUCI"). From 1998 until January 2002, I was the  
16 Director of Engineering for CUCI. On January 15, 2003, I became the  
17 Engineering Manager for Illinois-American's Chicago-Metro Division. On July 1,  
18 2004, I commenced my current 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  
22 Illinois Institute of Technology in 1990. I am a registered professional engineer in  
23 the State of 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  
26 Environmental Federation, the American Society of Civil Engineers, and a  
27 member of the Design-Build Institute.

28 Q. **Are you familiar with the Verified Amended Application filed by Illinois-**  
29 **American and South Beloit Water Gas and Electric in this matter?**

30 A. Yes. Illinois-American and South Beloit Water Gas and Electric ("SBWGE")  
31 (herein referred to collectively as the "Joint Applicants" seek approval for the  
32 purchase by Illinois-American of the assets of SBWGE. As a part of the  
33 transaction, Illinois-American seeks to assume, pursuant to Section 8-406 of the  
34 Public Utilities Act ("the Act"), the Certificates of Public Convenience and  
35 Necessity under which SBWGE currently provides water service to its customers  
36 in South Beloit and surrounding environs. In addition, SBWGE seeks approval to  
37 abandon its obligations to provide water service to these customers after the  
38 transaction closes pursuant to Section 8-508 of the Act.

39 Q. **Would you discuss the companies involved in the proposed transaction?**

40 A. Illinois-American is a corporation organized and existing under and by virtue of  
41 the laws of the State of Illinois and is a public utility within the meaning of the Act  
42 and is engaged in the business of furnishing potable water and sanitary sewer  
43 service to the public of the State of Illinois. Illinois-American has its principal  
44 office in Belleville, Illinois. Illinois-American has four divisions. Each Division is  
45 divided into service districts. The Southern Division serves such cities as Alton,  
46 Granite City, East St. Louis, Belleville, Cairo and their environs. The Northern  
47 Division serves Pekin, Peoria, and Lincoln and their environs. The Eastern  
48 Division serves Champaign, Urbana, Pontiac, Sterling and Streator and their  
49 environs. The Chicago-Metro Division serves incorporated and unincorporated  
50 areas in Cook, DuPage, Will, Kendall, Grundy, Kane, and McHenry Counties.

51 SBWGE is a corporation dully organized and existing under and by the virtue of  
52 the laws of the State of Illinois. SBWGE provides water service to approximately  
53 2,000 customers. SBWGE is a wholly-owned subsidiary of Wisconsin Power and  
54 Light ("WPL").

55 **Q. Could you identify Exhibit A to the Amended Application.**

56 A. Yes. Exhibit A is a copy of the Asset Purchase Agreement.

57 **Q. What is the status of the corporate approval for the Asset Purchase  
58 Agreement?**

59 A. The Asset Purchase Agreement was approved by the Board of Directors of  
60 Illinois-American and the Board of Directors of SBWGE contingent upon  
61 Commission approval. The approval includes assumption of the Wholesale  
62 Water Agreement. (Exhibit E of the Amended Application)

63 **Q. Could you identify Exhibit B to the Amended Application.**

64 A. Yes. Exhibit B is a map of the area in SBWGE provides water service and  
65 includes the location of existing water mains.

66 **Q. Into which division of Illinois-American would the area sought to be  
67 certificated in this proceeding be incorporated?**

68 A. The Chicago-Metro Division. It is likely that this certified area would represent a  
69 new District within the Chicago-Metro Division.

70 **Q. Could you identify Exhibit C to the Amended Application.**

71 A. Yes. Exhibit C is the description of the current service are of SBWGE as stated  
72 in SBWGE's existing tariffs for water service.

73 **Q. What rules and regulations will be applicable to the customer within the  
74 area requested to be certificated in this proceeding?**

75 A. As discussed by Company witness Hoffman, Illinois-American proposes to  
76 maintain SBWGE's existing tariff rates, rules and regulations. Those customers

77 will be subject to the tariff rates, rules and regulations on file from time to time  
78 and currently applicable to these customers of SBWGE.

79 **Q. Will Illinois-American remain subject to all applicable laws, rules,**  
80 **regulations, and decisions and policies governing the regulation of Illinois**  
81 **Public Utilities.**

82 A. Yes it will.

83 **Q. Could you identify Exhibit E to the Amended Application.**

84 A. Yes. Exhibit E is a copy of the Wholesale Water Agreement with first  
85 amendment which Illinois-American seeks to assume from SBWGE as a part of  
86 this proceeding.

87 **Q. Please provide information regarding Illinois-American's intentions with**  
88 **respect to Exhibit E.**

89 A. The transaction will include the assumption the Agreement for the Provision of  
90 the Wholesale Water Utility Service from Beloit, Wisconsin to SBWGE, including  
91 the first amendment (collectively referred to as "Wholesale Water Agreement").

92 **Q. Please discuss the terms of the Wholesale Water Agreement.**

93 A. The agreement allows SBWGE to purchase wholesale water for the South Beloit  
94 system from the City of Beloit at the same pressure and quantity before part of  
95 the water system was sold to the City of Beloit.

96 **Q. Are the terms of the Wholesale Water Agreement in the public interest?**

97 A. Yes they are.

98 **Q. Will the reorganization diminish Illinois-American's ability to provide**  
99 **adequate, reliable, efficient, safe, and the least-cost water service?**

100 A. No, Illinois-American is committed to providing adequate, reliable, efficient, safe,  
101 and the least cost in water service and resources and management technology  
102 water quality customer service and supply planning. Illinois-American will bring

103 this commitment to the area presently served by SBWGE. The Asset Purchase  
104 will not adversely affect Illinois-American's ability to provide adequate, reliable,  
105 efficient, safe, and the least-cost water service and resources and management  
106 technology water quality customer service and supply planning.

107 **Q. What will be the effect of the reorganization on competition in the state of**  
108 **Illinois?**

109 **A.** Due to the geographical separation of the service areas, there is no significant  
110 competition for water sales between SBWGE and Illinois-American. Accordingly,  
111 market conditions in Illinois after the consummation of the reorganization will be  
112 substantially the same as they currently exist. The Asset Purchase, therefore, is  
113 not likely to have a significant adverse effect on competition in Illinois.

114 **Q. Will the reorganization result in any adverse rate impact on customers?**

115 **A.** No.

116 **Q. Has Illinois-American acquired water systems in the past?**

117 **A.** Yes. Illinois-American, as well as AWW, has a long standing policy to seek out  
118 companies that have the potential to enhance customer service and value  
119 through beneficial acquisitions which add economies of scales, strengths, and  
120 capabilities. Illinois-American has acquired several water systems since 1996.  
121 Illinois-American has acquired Northern Illinois Water Corporation, United Water  
122 Illinois, Inc., Arlington Water District, Camelot Water Company, Shiloh, Illinois,  
123 and Citizens Utilities Company of Illinois, as well as other small systems across  
124 the state of Illinois.

125 **Q. As a part of this proceeding Illinois-American is seeking a Certificate of**  
126 **Public Convenience and Necessity. Is any portion of the area sought to be**  
127 **certificated in this proceeding located within 1-1/2 of the boundary of any**  
128 **municipality?**

129 A. Illinois-American is not seeking to add any area to the area previously certificated  
130 to SBWGE. However, the area currently served by SBWGE is within 1-1/2 miles  
131 of the of the City of South Beloit and the unincorporated contiguous territory in  
132 Rockton and Roscoe Townships in Winnebago County.. Pursuant to Section 8-  
133 406, our Corporate Counsel mailed a Notice with an attached copy of the  
134 Amended Application to the City of South Beloit and the unincorporated  
135 contiguous territory in Rockton and Roscoe Townships in Winnebago County on  
136 January 12th, 2005.

137 Q. Does this conclude your direct testimony?

138 A. Yes.