

IAWC EXHIBIT NO. BK-2.0R

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 05-0724

IAWC EXHIBIT NO. BK-2.0R

REVISED SUPPLEMENTAL DIRECT TESTIMONY OF BOB KHAN

ILLINOIS-AMERICAN WATER COMPANY

OFFICIAL FILE

U.C.C. DOCKET NO. 05-0724
IAWC Exhibit No. BK-2.0R

Witness

Date: 4/17/05 Recorder *Dj*

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.

6 **Q. Are you the same Bob Khan who has previously testified in this docket?**

7 **A.** Yes.

8 **Q. What is the purpose of your supplemental direct testimony?**

9 **A.** The purpose of my supplemental direct testimony is to provide clarification
10 regarding the relief requested in the Verified Second Amended Application. Also,
11 in response to a discussion with the Commission Staff, I will provide additional
12 information in support of the Verified Second Amended Application.

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

15 **A.** Yes. Illinois-American Water Company ("Company", "IAWC" or "Illinois-
16 American") and South Beloit Water Gas and Electric Company ("SBWGE")
17 (herein referred to collectively as the "Joint Applicants") seek approval of the
18 purchase by Illinois-American of the water assets of SBWGE. The Company
19 wishes to clarify that as a part of the transaction, Illinois-American seeks to
20 obtain a Certificate of Public Convenience and Necessity ("Certificate") pursuant
21 to Section 8-406 of the Public Utilities Act ("the Act") in order to serve an area
22 which includes that area for which SBWGE currently provides water service to
23 customers in South Beloit and surrounding environs. Further, IAWC's requested
24 Certificate includes land that, while not included in South Beloit's current service
25 area, is for the most part, included within the most recent corporate boundary of
26 the City of South Beloit and represents a logical extension of that area.

27 **Q. Why is the Certificate requested by Illinois-American necessary?**

28 **A.** As explained in my direct testimony, a large portion of the area for which the
29 Certificate is requested is currently being served by SBWGE. However, as part
30 of this transaction, SBWGE is seeking to permanently abandon this service area
31 and discontinue the provision of water service in the certificated area. Illinois-
32 American's requested Certificate is necessary in order to allow the customers of
33 the in the South Beloit service area a continued source of water service. If the
34 Application is granted, SBWGE will transfer its water utility business to Illinois-
35 American Water Company. The requested Certificate will allow Illinois-American
36 to continue to provide all water presently serviced by SBWGE and the area
37 served by SBWGE without interruption. Additionally, the requested Certificate
38 will allow Illinois American to provide necessary service to customers in areas
39 abutting the area currently served South Beloit.

40 **Q. Why is Illinois American requesting to serve and area greater than that
41 currently served by South Beloit?**

42 **A.** Illinois American is seeking certification for all areas which are currently annexed
43 in the City of South Beloit. Certification is also sought for small areas which are
44 surrounded on 3 sides by the existing system. As such, the extension of water
45 service to these areas from the South Beloit system will be most logical and cost
46 effective. As discussed more fully below, the Joint Applicants are unaware of
47 any boundary issues with any nearby water systems. The proposed service area
48 does not enter the Villages of Rockton or Roscoe except for some small areas
49 which are already served by SBWGE.

50

51 **Q. Has Illinois-American provided a metes and bounds legal description of the
52 area for which it seeks a Certificate?**

53 A. Yes. Illinois-American has undertaken to have a map created along with a metes
54 and bounds description corresponding to the same. The map is attached to my
55 supplemental direct testimony as IAWC Exhibit NO. BK-2.1, and the metes and
56 bounds description is attached as IAWC Exhibit NO. BK-2.2. Additionally, these
57 documents are attached to the Verified Second Amended Application as Exhibits
58 B and C respectively.

59 Q. **Is any portion of the area sought to be certificated in this proceeding**
60 **located within 1-1/2 miles of the boundary of any municipality?**

61 A. Portions of the area for which the Certificate is requested are located within 1-1/2
62 miles of the City of South Beloit and the unincorporated contiguous territory in
63 Rockton and Roscoe Villages in Winnebago County. Pursuant to 83 Ill. Adm.
64 Code 200.150, our Corporate Counsel mailed a Notice with an attached copy of
65 the Verified Second Amended Application to the City of South Beloit and the
66 unincorporated contiguous territory in Rockton and Roscoe Villages on March 17,
67 2006. These entities were previously mailed Notice of the Amended Application
68 on January 12, 2006. In addition, Counsel mailed a Notice with an attached copy
69 of the Verified Second Amended Application to the North Park Water Public
70 District on March 17, 2006.

71 Q. **Does IAWC have any knowledge or reason to believe that any municipality,**
72 **investor-owned utility, mutual corporation, or any other entity is currently**
73 **providing water service in the area for which it seeks a Certificate?**

74 A. No. IAWC is not aware of any municipality, investor-owned utility, mutual
75 corporation, or any entity currently providing water service, other than SBWGE,
76 in the area for which it seeks a Certificate.

77 Q. **Does IAWC have any knowledge or reason to believe that any municipality,**
78 **investor-owned utility, mutual corporation, or any other entity is currently**

79 **interested in providing water service in the area for which it seeks a**
80 **Certificate?**

81 **A.** IAWC is unaware of any municipality, investor-owned utility, mutual corporation,
82 or any other entity that is currently interested in providing water service in the
83 area for which it is seeking a Certificate. The North Park Water District is the
84 water provider nearest to the south area for which certification is requested. As
85 discussed more fully in the Supplemental Direct Testimony of SBWGE witness
86 Rick Potter, representatives of the Joint Applicants have discussed the proposed
87 certification area with the North Park Water Public District. The North Park
88 Public Water District has indicated that it has no objection to the proposed
89 certificated area as set forth in the Verified Second Amended Application as
90 Exhibits B and C.,

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

92 **A.** Yes. Illinois-American, as well as Illinois-American's parent company, American
93 Water Works Company, Inc. ("AWW"), has a long-standing policy to seek out
94 companies that have the potential to enhance customer service and value
95 through beneficial acquisitions which add economical scales, strengths, and
96 capabilities. Illinois-American has acquired several water systems since 1996,
97 including: Northern Illinois Water Corporation, United Water Illinois, Inc.,
98 Arlington Water District, Camelot Water Company, Shiloh, Illinois, and Citizens
99 Utilities Company of Illinois, as well as other small systems across the State of
100 Illinois.

101 **Q. Is Illinois-American capable of efficiently managing and supervising the**
102 **provision of water service to the described area sought to be acquired in**
103 **this proceeding?**

104 **A.** Yes. Illinois-American is the largest water and wastewater utility in Illinois and
105 has many years of experience managing and supervising the provision of water
106 service to areas similar to the SBWGE service area. The residents of the area in
107 question will benefit from Illinois-American's expertise and experience in the
108 provision of water service.

109 **Q.** **What will the effect be of granting Illinois-American a Certificate to serve**
110 **this area on the combined entity?**

111 **A.** Illinois-American's parent company, AWW, which operates in twenty-three states,
112 is one of the largest water utility businesses in the United States. The acquisition
113 of the SBWGE service area will allow Illinois-American to utilize its operating
114 efficiencies by spreading costs over a wider customer base.

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

117 **A.** No. Illinois-American is committed to providing adequate, reliable, efficient, safe,
118 and least-cost in water service to its customers. Illinois-American will bring this
119 commitment to the area presently served by SBWGE.

120 **Q.** **Why should a Certificate be granted?**

121 **A.** For the reasons discussed in the Company's direct testimony as well as those
122 set forth above, the public convenience and necessity require that Illinois-
123 American Water Company operate and maintain a public water supply and
124 distribution system and continue to provide a public water supply for the area.
125 The area for which a Certificate is requested would include the area that SBWGE
126 currently serves and is seeking to abandon as part of this docket. In addition, the
127 service area for which IAWC seeks the Certificate would include areas currently
128 abutting the South Beloit Service area. As discussed above, this addition
129 represents a logical extension of the South Beloit service area. No municipal

130 corporation or other entity furnishes water services to the requested area.
131 Illinois-American has the technical, financial and managerial ability to operate
132 and maintain a public water supply and distribution system and to continue to
133 provide a public water supply for the area. Thus, granting the requested
134 Certificate would be in the public interest.

135 **Q. Does this conclude your supplemental direct testimony?**

136 **A. Yes.**