

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois-American Water Company,)
American Water Works Company, Inc.,)
Thames Water Aqua US Holdings, Inc., and)
Thames Water Aqua Holdings GmbH)
)
Joint Application for Approval of Proposed)
Reorganization and Change in Control)
Of Illinois-American Water Company)
Pursuant to Section 7-204 of the)
Illinois Public Utilities Act)

Docket No. 06-0336

REBUTTAL TESTIMONY
OF MARY NIEMIEC
ON BEHALF OF THE VILLAGE OF HOMER GLEN

OFFICIAL FILE
ICC

HG EXHIBIT 2.0

21 FEBRUARY 2007

EVIDENCE

06-0336

3/6/07

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**REBUTTAL TESTIMONY
OF MARY NIEMIEC
ON BEHALF OF THE VILLAGE OF HOMER GLEN
DOCKET NO. 06-0336**

7 Q. PLEASE STATE YOUR NAME AND FOR WHOM YOU ARE TESTIFYING.

8 A. My name is Mary Niemiec. I am testifying on behalf of the Village of Homer
9 Glen.

10 Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS DOCKET?

11 A. Yes. I submitted direct testimony as HG Exhibit 1.0.

12 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

13 A. The purpose of this testimony is to reply to various statements of Illinois
14 American Water in its rebuttal testimony.

15 Q. HAVE YOU READ THE REBUTTAL TESTIMONY OF TERRY L. GLORIOD
16 (EXHIBIT IAWC 1.0R) FILED IN THIS DOCKET?

17 A. Yes.

18 Q. DO YOU AGREE WITH HIS COMMENTS CONCERNING YOUR DIRECT
19 TESTIMONY?

20 A. No.

21 ON PAGE 16 OF HIS REBUTTAL TESTIMONY, MR. GLORIOD STATES THAT
22 "TO THE EXTENT THAT MS. NIEMIEC RAISES VALID CONCERNS, IAWC HAS
23 ALREADY TAKEN APPROPRIATE STEPS." DO YOU AGREE WITH THIS
24 CONCLUSION?

25 A. No. First, I believe that in my direct testimony I did present several valid
26 concerns over Illinois American Water's (IAW's) ability to provide adequate,
27 reliable, efficient, safe and least-cost service to the residents of Homer Glen.

28 In my direct testimony, I outlined Homer Glen's relationship with IAW.
29 As my initial testimony shows, IAW repeatedly has failed to work with Homer
30 Glen to address fundamental service issues for Homer Glen's residents. By way
31 of example, I pointed out that in 2005 IAW improperly back billed its customers
32 for service. Not only did it back bill the customers, but IAW did not tell the
33 customers that they were being back billed. Instead, IAW attempted to hide the
34 back billing issue by telling customers that they must have water leaks or that
35 their consumption was extraordinarily high. The fact of the back billing would
36 never have been made public except for Homer Glen's filing a complaint against
37 IAW at the Commission, Docket No. 06-0095. Even after the complaint case was
38 filed, IAW has refused to agree to any third party audit to verify the refunds that
39 IAW finally made were proper and adequate.

40 During the complaint case, Homer Glen presented several residents who
41 testified as to their treatment by IAW, including attempts by IAW to harass and to
42 intimidate them. IAW even sent photographers to take pictures of the homes and
43 cars of those who complained to the ICC. The fact that Homer Glen residents

44 filed testimony with the Commission detailing their problems with the company
45 demonstrates that, rather than the complaints and concerns being resolved as IAW
46 contends, the treatment received from IAW continues to be an issue.

47 Moreover, Mr. Gloriod takes credit in his rebuttal testimony for IAW
48 preparing a customer information booklet as a means of improving customer
49 relations. He conveniently ignores the fact that IAW is required to prepare the
50 booklet as a result of legislation passed at the urging of Homer Glen and other
51 IAW customers in response to IAW's practices.

52 Mr. Gloriod also does not point out in his testimony that in Docket No. 06-
53 0095 the ICC staff itself testified that IAW did not have records showing that any
54 fire hydrants in Homer Glen were inspected, a violation of ICC regulations. In
55 addition, the ICC staff testified that IAW had no records concerning the
56 maintenance of critical valves in Homer Glen. IAW claims that it has since made
57 the inspections but it refuses to provide a copy of the inspections to the local fire
58 departments that need this vital information. This is a safety issue since if a fire
59 department hooks up to a non-operating fire hydrant it can result in the loss of
60 property, injury or death.

61 Homer Glen has repeatedly asked IAW for information concerning its
62 Master Plan for capital improvements in the area. Again these requests are
63 ignored. This is critical to the Village since it is in a high growth area and an
64 adequate water supply system is critical to that growth.

65 Q. MR. GLORIOD STATES AT PAGE 17 THAT THE PROPOSED
66 TRANSACTION WILL HAVE NO ADVERSE IMPACT ON SERVICE AND

67 WILL PRODUCE BENEFITS FOR CUSTOMERS. DOES THIS STATEMENT
68 RESOLVE YOUR CONCERNS?

69 A. No. Mr. Gloriod states that as a result of the transaction, American Water Works,
70 the parent of IAW "will be better positioned to focus on maintaining, developing
71 and growing the water and wastewater business of its subsidiaries, including
72 IAWC." Based on past performance, I am dubious about this statement since
73 IAW also states that it is not changing the local management of the company.

74 Q. MR. GLORIOD STATES THAT THE HOMER GLEN TASK FORCE
75 FINDING THAT HOMER GLEN HAD THE HIGHEST RATES IN ILLINOIS
76 IS NOT CORRECT. DO YOU AGREE?

77 A. At the time the Task Force preliminary report was issued, the statement was
78 correct. Since the report was issued, it may be correct that other utilities have
79 raised their water rates above the rate charged to Homer Glen residents.

80 The Village has requested as part of this case that IAW commit to
81 lowering its rates as a result of the savings the company sees from this
82 reorganization. IAW has refused. Based on the Company's statements that the
83 IAW system needs capital improvements, Homer Glen fears that IAW will seek a
84 rate increase—not a decrease—after the transaction is approved. An IAW
85 official actually suggested that a rate increase may be necessary in testimony
86 before a committee of the General Assembly in Springfield last year.

87 MR. GLORIOD AT PAGE 19 CONTINUES TO ASSERT THAT THE
88 TRANSACTION WILL HAVE NO ADVERSE IMPACT ON IAW'S COSTS.
89 CAN YOU COMMENT ON HIS STATEMENT?

90 A. In his testimony, Mr. Gloriod states that as to the transaction that is the subject of
91 this docket, the "amount of any such savings cannot be quantified." He later
92 states that IAW is opposed to any effort by this Commission to require IAW to
93 either pass the savings onto customers or to reduce its rates. If, as IAW contends,
94 the transaction will benefit customers, then IAW should agree as part of this
95 docket to pass the savings onto customers and to lower rates reflecting the
96 benefits that IAW contends will result from the transaction. If the transaction
97 does not benefit customers through savings, then I question whether the
98 transaction should be approved by the Commission.

99 Q. MR. GLORIOD STATES THAT IAW IS OPPOSED TO SELLING THE
100 PORTION OF ITS SYSTEM IN HOMER GLEN TO THE VILLAGE. WHAT
101 IS YOUR RESPONSE?

102 A. Homer Glen, along with three neighboring communities, has retained experts to
103 value the portion of the IAW system in Homer Glen and those communities.
104 Under recent legislation, Homer Glen, as well as other communities, has the
105 opportunity to acquire the system from IAW through condemnation and the
106 Village is seriously considering that option. I believe the fact that at least four
107 communities are seeking ways to acquire their water and wastewater system from
108 IAW underscores my point that IAW currently is not providing adequate, reliable,

109 efficient, safe and least-cost service to those communities. If IAW were doing so,
110 then the communities would not be seeking ways to acquire the systems.

111 I also would note that IAW in its presentation to the Commission has not
112 provided any analysis as to the possible financial effect on IAW if communities
113 such as Homer Glen condemn the portion of IAW's system in their respective
114 locations.

115 Q. MR. GLORIOD STATES ON PAGE 12 THAT THE COMPANY HAS PUT IN
116 PLACE PROGRAMS TO CONTROL UNACCOUNTED FOR WATER,
117 CITING FIVE INITIATIVES WITH HOMER GLEN. CAN YOU COMMENT
118 ON THOSE INITIATIVES?

119 A. If IAW has undertaken the initiatives listed, the company has not shared the
120 results with Homer Glen. As to each item:

121 1. IAW states it has retained an outside leak detection contractor to survey
122 the entire Homer Glen area and repair leaks. IAW has not provided Homer Glen
123 with the results of the survey, and no appreciable benefit for Homer Glen
124 residents is evident, since the percentages of unaccounted water continue to be
125 very high.

126 2. IAW states it is replacing all meters with new meters with greater
127 accuracy. As demonstrated in my testimony and in ICC Docket No. 06-0095, this
128 program resulted in the company back billing customers without the customers'
129 knowledge.

130 3. IAW states it is "working with" Homer Glen to discourage water theft
131 through fire hydrants. In fact, it was the Village that passed an ordinance

132 requiring anyone tapping into a fire hydrant to have written permission on their
133 person.

134 4. IAW states it is conducting an audit of all Homer Glen residences and
135 businesses to confirm that all customers are being billed for service. Homer Glen
136 has not received the results of this audit. However, I am surprised that IAW could
137 be furnishing water to customers and not know that it is providing such service.
138 Because IAW was able to receive compensation for water purchased regardless of
139 whether IAW appropriately charged the consumers, this further demonstrates that
140 IAW has no incentive to exercise good management practices.

141 5. IAW has agreed to meter construction water at Homer Glen's request.
142 Again this was an item recommended by the Homer Glen Task Force in 2004.
143 The Village is not aware whether IAW has ever implemented this item.

144 Q. MR. GLORIOD IS CRITICAL OF YOUR RECOMMENDATIONS IN YOUR
145 DIRECT TESTIMONY. DO YOU BELIEVE HIS CRITICISMS ARE VALID?

146 A. No. If IAW were concerned about providing adequate, reliable, efficient, safe and
147 least-cost service, then it should be willing to set a schedule and milestones to
148 reduce its rates, to subject itself to an independent audit of its billing practices and
149 programs, set a schedule and milestones for reducing its unaccounted for water.
150 If it cannot do this, then communities such as Homer Glen may acquire the
151 portions of the system in their jurisdiction.

152 Q. DO ANY OF THE COMMENTS OF MR. GLORIOD CHANGE YOUR
153 RECOMMENDATIONS LISTED IN YOUR DIRECT TESTIMONY?

154 A. No.

VERIFICATION

I, Mary Niemiec, certify that I am a trustee for the Village of Homer Glen, Illinois, that I am sponsoring HG Exhibit 2.0 and that I have personal knowledge of the information stated herein and that such information is true and correct to the best of my knowledge, information and belief.

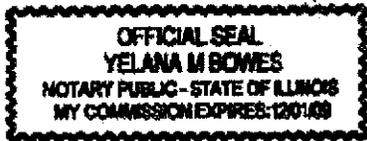
Mary Niemiec
Mary Niemiec

Yelana M. Bowes

Notary Public

Dated 2/21/07

(Seal)



Rebuttal Testimony of Mary Niemiec
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