

ILLINOIS COMMERCE COMMISSION

DOCKET 09-0319

IAWC EXHIBIT NO. 3.00SUPP

SUPPLEMENTAL DIRECT TESTIMONY OF

JEFFREY T. KAISER

ILLINOIS-AMERICAN WATER COMPANY

August 24, 2009

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. PURPOSE OF SUPPLEMENTAL DIRECT TESTIMONY	1
III. CAPITAL PROJECT UPDATES	1

**SUPPLEMENTAL DIRECT TESTIMONY IAWC Ex. 3.00SUPP
OF
JEFFREY T. KAISER**

I. INTRODUCTION

Q1. Please state your name and business address.

A. Jeffrey T. Kaiser, 100 North Water Works Drive, Belleville, IL 62223.

Q2. Are you the same Jeffrey T. Kaiser who previously filed direct testimony in this proceeding?

A. Yes I am.

II. PURPOSE OF SUPPLEMENTAL DIRECT TESTIMONY

Q3. What is the purpose of your supplemental direct testimony?

A. As explained in the supplemental direct testimony of Rich Kerckhove (IAWC Ex. 6.00SUPP), the Company has performed a comprehensive forecast re-evaluation, which has resulted in the identification of certain material changes to the test-year forecast, as well as certain corrections to the Company's testimony, exhibits and schedules. The purpose of my supplemental direct testimony is to provide updated information regarding the Company's projected 2009 and 2010 capital projects, as detailed in my direct testimony. The impact of these changes to the Company's proposed test year level of rate base is discussed by Mr. Kerckhove.

III. CAPITAL PROJECT UPDATES

Q4. Please discuss the major changes to the planned 2009 capital projects.

A. As discussed in my direct testimony (IAWC Ex. 3.00, p. 14), the Company projected completing the Peoria Groundwater Improvements project in 2009, to enhance the treatment system and help meet upcoming disinfection by-product

23 regulatory requirements. Due to delays caused by high groundwater levels, this
24 project has been delayed until 2010.

25 As discussed in my direct testimony (IAWC Ex. 3.0, pages 11-12), the
26 Company is building improvements to enhance the fire-flow capabilities of certain
27 Chicago Metro District areas, and planned to have these improvements
28 completed in 2009. However, these projects have been impacted by delays in
29 permitting and development of agreements with local municipalities. Due to
30 these delays, one project in the Rollins area will not be completed until 2010.
31 Accordingly, the subsequent 2009 capital spending for the fire-flow projects has
32 been reduced.

33 As my direct testimony also discusses (IAWC Ex. 3.0, page 15), the
34 Company originally planned to renovate and remodel the Alton District office in
35 2010, making infrastructure improvements and reconfiguring the premises to
36 create additional office space. Due to changes in planned locations for staff in
37 the Alton District, the additional office space is no longer required and this project
38 will now only include replacement of the HVAC system and exterior windows.
39 These improvements will require less design work and will now be completed in
40 the fall of 2009, prior to the onset of winter weather.

41 The Company also planned to replace water purification equipment at its
42 East St. Louis plant in 2010 to achieve enhanced operational reliability (IAWC
43 Ex. 3.0, page 18). The project was planned to be completed prior to the peak
44 usage season in 2010; however, due to unusually low summer demands caused
45 by wet weather this year, the plant staff has been able to initiate this project in

46 2009 and will not be required to wait until the spring of 2010 to complete this
47 work.

48 Other project changes have resulted from operational issues such as
49 recent customer complaints of taste and odor problems in Streator, which
50 necessitated replacement of equipment at the Streator water-treatment facility.
51 In addition, the discovery of a structural problem at the East St. Louis Water
52 Treatment Plant necessitated immediate repair to the wall and roof of a building.
53 Project budget and timing changes also resulted from opportunities to realize
54 economies of scale by combining projects, or from unanticipated road and
55 highway relocation projects. In total, project changes are anticipated to increase
56 planned 2009 capital additions by approximately \$3.6 million.

57 **Q5. Please summarize the major changes to the planned test-year capital**
58 **projects.**

59 **A.** Due to delays in both state and local permitting, the Company has deferred the
60 construction of the Chickasaw Wastewater Treatment Facility (discussed in my
61 direct testimony, IAWC Ex. 3.0, page 17), which will now be placed in-service in
62 late 2011. The Valley Marina Wastewater Treatment Facility Improvements
63 project (IAWC Ex. 3.0, page 17) has also been delayed as IAWC evaluates an
64 alternative which would include eliminating the treatment plant and pumping the
65 wastewater to a neighboring sanitary district's new treatment facility. This
66 alternative was previously dismissed as too costly; however, the sanitary district
67 has recently indicated their willingness to negotiate the cost. In addition, the
68 schedules for several smaller projects have been adjusted to address urgent

69 operational concerns or take advantage of opportunities to cost-effectively
70 improve our systems. The net effect of these changes is a decrease in planned
71 Capital additions of approximately \$12 million in 2010.

72

73 Projects previously reflected as capital additions which are no longer planned for
74 the year ending December 31, 2009 are as follows:

- 75 • **Peoria Groundwater Improvements (\$410,000)** –As discussed above, this
76 project has been postponed until 2010.

77

78 Projects previously listed in testimony which are no longer planned for the test
79 year ending December 31, 2010 are as follows:

- 80 • **Alton District Office Renovation (\$533,000)** – Project scope has been
81 reduced and, as discussed above, will be completed in 2009.
- 82 • **Cairo - High/Low Service Piping Improvements (\$273,000)** – This project
83 has been postponed. Low demands in the system have allowed IAWC to
84 continue operations at lower system pressures. The piping system will be
85 monitored, and if problems appear imminent or if IAWC has reason to believe
86 there will be a significant increase in demand, IAWC will complete the project.
- 87 • **Cairo - Filter Improvements and Backwash Automation (\$351,000)** -
88 Project has been postponed. Low demands have allowed filter backwash
89 cycles to be extended, reducing the operational advantages of this project.
90 Changes in demand or filter backwash practices will dictate future timing of
91 this project.

- 92 • **Champaign - NW Pressure Zone Creation (\$650,000)** - This project has
93 been postponed until improvements to the Mattis Avenue plant in 2010 and
94 the construction of a new elevated storage tank in 2012 are completed and
95 impacts of those improvements on the distribution system operation can be
96 fully evaluated.
- 97 • **Chicago Metro WW - Valley Marina WRF Replacement (\$3,000,000)** – This
98 project has been postponed until 2011 while exploring potential off-loading to
99 a neighboring sanitary district as discussed above.
- 100 • **Chicago Metro WW - Chickasaw Plant Expansion (\$9,086,000)** - This
101 project has been postponed due to IEPA and local municipal permitting
102 delays as discussed above.
- 103 • **Chicago Metro WW - Derby Meadows WRF Clarifier Cover - (\$314,000)** –
104 This project has been postponed pending completion of a new capital
105 improvement study for this service area. Treatment staff will continue current
106 operational procedures until required system-wide improvements are
107 determined.
- 108 • **Interurban - East St. Louis Clarification Improvements (\$814,000)** - As
109 discussed above, this project will be completed in 2009.
- 110 • **Interurban – Greenmount Crossing Pump Station & Main (\$1,420,000)** –
111 Slower than anticipated growth in the Shiloh service area of the Interurban
112 District and the anticipated completion of the Scott AFB Transmission Main
113 project will allow this project to be postponed.

- 114 • **Interurban IDSE Recommendations Phase I (\$450,000)** – Anticipated
115 completion of the Scott AFB Transmission Main project will modify flow
116 patterns in the eastern section of the Interurban District and will alleviate
117 several areas of water quality concern. Those changes will allow this project
118 to be postponed.
- 119 • **Pekin - Willow Street Standby Generator (\$400,000)** – Levels of a
120 monitored contaminant (PCE) in the ground water at this location have
121 recently caused IAWC to consider adding granular activated carbon treatment
122 units at this location. This project has been postponed while decisions on
123 treatment and associated impacts on generator sizing are being evaluated.
- 124 • **Pontiac WTF Flood Protection (\$355,000)** - This project has been combined
125 with the design and construction of new chemical storage and feed facilities at
126 the Pontiac WTF to reduce overall project management, design and
127 construction costs. The combined project is anticipated to be completed in
128 2011.

129 **Q6. Have other changes taken place with respect to the Company's capital**
130 **budgets?**

131 **A.** Yes. Certain minor adjustments and corrections have been made to the capital
132 projects budget, as listed on Schedule B-5 (First Revised). Overall, these
133 changes are non-material in effect and reflect refinements in project cost
134 estimates and updates to our capital spending projection completed over the past
135 few months.

136 **Q7. Please provide an updated list of the major capital projects planned for**
137 **completion during 2009 that reflects the above changes.**

138 **A.** The major capital projects planned for completion by the end of the test year
139 ending December 31, 2009 are as follows:

140 • **Alton District Office Renovation (\$533,000)** - This project, discussed
141 above, will include the replacement of building components which have
142 exceeded their intended life and are beyond effective repair, such as windows
143 and HVAC equipment.

144 • **Cairo WTF Electrical Improvements (\$219,000)** - This project will improve
145 operational reliability and worker safety by replacing electrical equipment that
146 is beyond economical repair. The project scope includes the replacement
147 and relocation of the plant's incoming power switchgear to provide reliable
148 service and ensure compliance with current electrical code safety
149 requirements.

150 • **Champaign Distribution System Improvements Phase 2 (\$5,945,000)** -
151 This project will improve system pressures, reliability, and customer service to
152 the Champaign District customers. The project scope includes the
153 construction of approximately 35,000 LF of 20-inch, 24-inch, 30-inch and 36-
154 inch transmission mains, to complete the connection of the new Champaign
155 Plant to additional connection points within the existing Champaign District
156 distribution system.

157 • **Champaign County Source of Supply and WTF Improvements**
158 **(\$15,036,000)** - As discussed above, the Champaign Plant was placed into

159 service and began producing water for the customers of the Champaign
160 District in December of 2008. Approximately \$36 million of capital additions
161 were placed into service at that time. The remaining work, including site
162 restoration, site paving, access road improvements, permanent power supply
163 to remote well sites, and other ancillary facilities, is being completed in the
164 spring of 2009.

- 165 • **Chicago Metro Fire-flow and Related Improvements Projects**
166 **(\$10,978,000)** - In conjunction with IAWC's 2008 annual hydrant inspection
167 program, IAWC reviewed fire-flow levels in the Chicago Metro District. Based
168 on this review, and as discussed above, IAWC identified certain areas where
169 fire-flow capability could be improved. For each of the identified areas, the
170 Company developed improvement plans designed to produce improved fire-
171 flow capability. The Company plans to complete these improvements in
172 2009. (As discussed below, fire-flow improvements in the Rollins service
173 area of the Chicago Metro District will now be completed in 2010.)
- 174 • **Chicago Metro Waycinden GS Tank Replacement (\$809,000)** - This
175 project will replace an existing ground storage tank which is beyond
176 economical repair. The project scope includes demolition of the existing
177 concrete storage tank and construction of a new tank in the same location.
178 The existing tank foundation will be re-used to reduce construction cost and
179 disruption to neighboring properties during foundation pile installation.
- 180 • **Chicago Metro WW - 107th Street Lift Station Improvements (\$357,000)** -
181 This project is necessary to provide safe access to the site and equipment,

182 provide space for future addition of equipment, and accommodate a pending
183 road-widening project which will reduce available space on the lift station site.
184 The project includes the purchase and demolition of an adjacent structure,
185 construction of sewer mains extending from beneath the proposed new
186 roadway pavement, and installation of a driveway to allow maintenance
187 vehicles to exit the proposed new roadway and park off the roadway while at
188 the site. The project is necessary due to the widening of an existing roadway
189 from two to four lanes.

- 190 • **Chicago Metro WW - Oak Valley Water Reclamation Facility (“WRF”)**
191 **Expansion (\$1,882,000)** - This expenditure includes the completion of odor
192 control equipment installation, construction of plant site roadways, site
193 restoration, and related final completion items for the Oak Valley WRF
194 Expansion project which was placed in-service in 2008.
- 195 • **Interurban - Belleville Distribution Office Improvements (\$919,000)** - This
196 project included the renovation of the Belleville Distribution Center building.
197 The project updated the existing office space, distribution worker locker room,
198 and meeting and training facilities, created 12 additional office spaces, a
199 conference room, meter room, and legal and engineering file storage space
200 within the existing structure.
- 201 • **Interurban - Abengoa Ethanol Main Extension (\$1,584,000)** - This project
202 includes the construction of a 6,300 LF of 20-inch main to the Granite City
203 Port District for a planned increase in use. The new main serves a new large

204 industrial customer and improves service to the Tri-City Port District and
205 existing residential and commercial customers.

206 • **Interurban – E. St. Louis WTF Emergency Building Repairs (\$417,000) -**

207 This project, discussed above, included reconstruction of a wall in the 100
208 year old high service pump building, which was found to be failing during a
209 recent inspection. The project included providing temporary support of the
210 roof, removal of the existing brick wall, and reconstruction of a block wall with
211 brick veneer. The project will allow the continued use of the high service
212 pump station at the WTF.

213 • **Interurban – E. St. Louis WTF Clarification Improvements (\$824,000) -** As

214 discussed above, this project will improve operational reliability by replacing
215 equipment that was beyond economical repair. Project scope included the
216 replacement of the existing chain and flight clarifier equipment in Basin #2
217 with a new chain and flight.

218 • **Interurban - IL Route 158 Relocation (\$2,045,000) -** This project includes

219 the installation of approximately 8,600 LF of 24-inch transmission main to
220 increase peak flow and pressure demand to customers in the southern
221 section of the Interurban District and accommodate the pending construction
222 of an IDOT road improvement project.

223 • **Interurban – IDOT Mississippi River Bridge Project - Exchange Avenue**

224 **Main Replacement (\$930,000)** - This project includes the relocation of water
225 mains near Exchange Avenue in East. St. Louis to accommodate road
226 realignments for construction of the new MRB.

- 227 • **Interurban – IDOT Mississippi River Bridge Project - 18th Street and St.**
228 **Clair Avenue Mains (\$678,000)** - This project includes the relocation of water
229 mains near 18th Street and St. Clair Avenue in East. St. Louis to
230 accommodate road realignments for construction of the new MRB.
- 231 • **Lincoln - Replace SWTP Pressure Filters (\$859,000)** - This project
232 improves operational reliability by replacing equipment that is beyond
233 economical repair. Project scope includes the replacement of the horizontal
234 pressure filters and associated equipment.
- 235 • **Pekin – Well Number 9 (\$524,000)** – This project improves water quality and
236 reduces capital and operational costs in the Pekin District. The project
237 includes the construction of a new Well 9 to replace Well 7, which has
238 experienced nitrate levels above the allowable limits. Well 7 would have
239 required more costly treatment measures to be installed and operated to
240 remain in service.
- 241 • **Peoria – Route 40 Main Relocation (\$360,000)** - This project will include the
242 relocation of approximately 1300 LF of 24-inch main from Hickory Grove
243 Road to the Route 40 Pump Station to accommodate a road improvement
244 project.
- 245 • **Streator WTF Improvements (\$4,292,000)** - This project, discussed above,
246 will improve operational reliability and water quality by replacing equipment
247 that is beyond economical repair and enhancing the treatment system. The
248 project scope includes the replacement of the clarification equipment, addition
249 of a powdered activated carbon (“PAC”) storage and feed system to improve

250 water quality, associated electrical improvements, and improvements to
251 existing sludge handling facilities.

252 • **Statewide - Business Systems Planning Study (\$625,000)** - This study will
253 evaluate the utility and effectiveness of existing business processes as well
254 as the capabilities of existing business systems. The scope of the study will
255 include a range of functional areas including: human resources; finance and
256 accounting; capital planning; cash management; procurement; and customer
257 and field services. The study will be designed to identify the investments
258 necessary to replace, upgrade, enhance and redesign specific business
259 processes and specific business system components. This study is
260 necessary because certain business systems are approaching the end of
261 their useful lives.

262 **Q8. Please provide an updated list of the major capital projects planned for**
263 **completion during the test year that reflects the above changes.**

264 **A.** The major capital projects planned for completion by the end of the test year
265 ending December 31, 2010 are as follows:

266 • **Alton - System Improvements to Serve Grafton (\$717,000)** - This project
267 improves customer service, reliability, and public safety (fire-flows) for existing
268 customers and allows service to a new sale for resale customer to the north
269 of the existing service area. The project scope includes the replacement of
270 the Principia Pump Station, installation of new mains, and other distribution
271 system improvements to increase flow capacity to the northern sections of the

272 existing Alton District and extend service (sale for resale) to the Village of
273 Grafton, Illinois which has had its wells deemed unsafe by the Illinois EPA.

274 • **Champaign - Embarrass Area Pump Station (\$448,000)** - This project will
275 improve service to customers by maintaining appropriate system pressures.
276 The project scope includes the installation of a pump station to provide
277 increased flows while maintaining adequate system pressures.

278 • **Champaign - Mattis Ave. WTF Plant Improvements (\$3,337,000)** - This
279 project is required to meet regulatory requirements related to the rating of the
280 existing WTF. It will also improve reliability, provide additional emergency
281 storage, and improve operational control of the WTF and high service pump
282 station. The project scope includes the construction of a new clearwell, and
283 modifications to the existing high service pump station to allow efficient
284 utilization of the additional clearwell capacity.

285 • **Champaign – East Plant Lagoon Rehab (\$498,000)** - This project will
286 extend the useful life the existing solids lagoon, which has deteriorated due to
287 solids removal and wave erosion over 40 years of service. The project will
288 include reconstruction of several sections of the lagoon berm which have
289 shown signs of damage, and installation of a new water level control
290 structure.

291 • **Champaign – Replace Neil Street Booster Station (\$741,000)** - This
292 project is required to maintain reliable customer service by replacing a pump
293 station which is no longer dependable and is beyond cost-effective repair.
294 The project will include removal of the existing pump station and installation of

295 a new pre-fabricated station with variable speed pumps to reduce energy
296 costs.

297 • **Chicago Metro – Rollins Fire-flow Improvements (\$1,002,000)** - In
298 conjunction with IAWC's 2008 annual hydrant inspection program, IAWC
299 reviewed fire-flow levels in the Chicago Metro District. Based on this review,
300 IAWC identified needed improvements in the Rollins service area to improve
301 fire-flow capability. As discussed above, due to delays in permitting and
302 development of agreements with local municipalities, completion of this
303 project has been delayed to 2010. This project will include the construction of
304 a ground storage tank and a booster pump station to provide fire-flows of
305 1000 gpm.

306 • **Chicago Metro WW – Elmhurst Sewer Rehab (\$440,000)** - This project will
307 improve operational reliability, reduce infiltration and inflow, and aid in
308 meeting environmental regulations by rehabilitating existing sewer lines within
309 the Elmhurst collection system.

310 • **Chicago Metro WW – Waycinden Sewer Rehab (\$2,700,000)** - This project
311 will improve operational reliability, reduce infiltration and inflow, and aid in
312 meeting environmental regulations by rehabilitating existing sewer lines within
313 the Waycinden wastewater collection system.

314 • **Chicago Metro WW - Foxcroft Lift Station Replacement (\$403,000)** - This
315 project consists of replacing an aging sanitary sewer lift station with a modern
316 submersible station. The project will result in more reliable operation, reduce

317 risk of sewage back-ups and provide a safer work environment for the
318 operators.

319 • **Interurban - PAC Improvements (\$4,735,000)** - This project includes the
320 installation of new PAC storage and feed systems for the Granite City WTF,
321 East St. Louis WTF Conventional Plant and the East St. Louis WTF Aldrich
322 Plant. The new systems improve chemical feed operation, increase storage
323 and feed quantity, improve the fire safety of PAC storage, and eliminate
324 equipment damaging PAC dust from common areas of the plant.

325 • **Interurban – IDOT Mississippi River Bridge Project – 9th Street and**
326 **Baugh Avenue Main Replacement (\$776,000)** - This project includes the
327 relocation of water mains near Exchange Avenue in East. St. Louis to
328 accommodate road realignments for construction of the new MRB.

329 • **Interurban – IDOT Mississippi River Bridge Project - 48-inch Raw Water**
330 **Main Protection (\$490,000)** - This project includes the construction of
331 protective measures for the 48-inch raw water main and a 24-inch finished
332 water main located under the proposed new MRB elevated approach.

333 • **Interurban – Scott AFB Transmission Main Upgrade (\$565,000)** – Scott
334 AFB is currently planning the replacement of approximately 6 miles of
335 transmission main serving the base. IAWC plans to contribute to this project
336 to increase the size of the main. At the completion of the improvement
337 project, Scott AFB will dedicate the improved main to IAWC for use as a
338 major transmission main through the Interurban District, under the terms of a
339 developer agreement.

- 340 • **Pekin - Well 9 Main (\$275,000)** - This project will improve operation of the
341 distribution system and service to customers by providing additional
342 distribution system capacity to transport water from the location of existing
343 wells to the other areas of the distribution system needing increased supply.
344 The project scope will include the installation of approximately 3,000' of 12-
345 inch main from Well 9 south to the 12-inch main in IL Route 29.
- 346 • **Peoria Groundwater Improvements (\$330,000)** - This project will enhance
347 the treatment system and aid in meeting upcoming regulatory requirements
348 for disinfection by-products (“DBPs”). The project scope includes the
349 installation of an approx. 4.0 million gallon-per-day well pump in an existing
350 well, and connection to existing raw water piping. These improvements will
351 reduce suspended solids and DBP precursors in the raw water, improving the
352 treatability and DPB compliance of the water supply.
- 353 • **Peoria – Dodge Street Chlorine Improvements (\$500,000)** - This project
354 will improve water quality in the distribution system by providing additional
355 chlorine feed capacity. The project includes construction of additional
356 chlorine building space for the storage and feed of more treatment chemicals
357 than is presently available at the site.
- 358 • **Peoria – Griswold Standby Power (\$900,000)** - This project will improve
359 operational reliability through the installation of permanent standby power for
360 the Griswold Well Station. The project scope will include moving an existing
361 undersized generator from the Dodge Street Well Station to the Griswold Well
362 Station, and the installation of a new generator at Dodge Street to provide

363 standby power. The existing generator will provide adequate standby power
364 for two of the three largest wells at the Griswold Well Station.

365 • **Peoria – San Koty Pump Improvements (\$350,000)** – This project will
366 provide improved customer service quality and reduce operating costs at the
367 San Koty Treatment Plant. The project includes the installation of a high
368 service pump to serve only the areas in the low-lying river valley area. The
369 current configuration requires the use of a higher-pressure pump and
370 pressure-reducing valves, making flow and pressure control difficult while
371 being less efficient than a dedicated pumping unit.

372 **Q9. Does this conclude your supplemental direct testimony?**

373 **A.** Yes, it does.

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