

ILLINOIS COMMERCE COMMISSION

DOCKET 09-0319

IAWC EXHIBIT 3.00SR (Revised)

**SURREBUTTAL TESTIMONY (REVISED) OF
JEFFREY KAISER**

ILLINOIS-AMERICAN WATER COMPANY

December 7, 2009

TABLE OF CONTENTS

	Page
I. WITNESS INTRODUCTION	1
II. PURPOSE OF SURREBUTTAL TESTIMONY.....	1
III. _____.....	1
IV. RESPONSE TO STAFF WITNESS LAZARE.....	18

27 **Q5.**

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36 **Q6.**

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IV. RESPONSE TO STAFF WITNESS LAZARE

Q27. Does Mr. Lazare discuss his proposal for a direct measurement study in his surrebuttal?

A. Yes. He still recommends that IAWC perform a direct measurement study. He acknowledges, however, that such a study would be more expensive than the indirect study the Company performed, and does not appear to contest the fact a direct measurement study would present operational concerns.

Q28. With respect to his proposed direct measurement study, Mr. Lazare states on page 23 that “West Virginia American Water Company performed a direct study of ratepayer demands in a single year, 2008, at a total cost that was much less than the \$1.86 million cited by IAWC for an Illinois study.”

Why was the reported cost of the WV study much less?

A. The \$27,293 cost of the study reported was incorrect. As Mr. Herbert states, the cost of the outside consultant was \$54,000, which does not include the cost of meters or internal labor costs. It is also my understanding that the demand metering was completed for only 9 pump stations serving residential customers and 41 commercial/industrial/public users in two Districts of West Virginia, for a total of only fifty metering points. The results of the study for only two districts in

408 West Virginia were then applied to the other districts in the state. This approach,
409 when utilized by IAWC in Docket 07-0507 (in which IAWC measured demands in
410 the Interurban District and applied those demands state-wide) was criticized by
411 the Commission in that proceeding.

412 The West Virginia study metered only about 41 non-residential accounts in
413 two districts or about 20 accounts per district. For IAWC to provide a comparable
414 level of metering would require IAWC to meter more than 200 non-residential
415 accounts, in order to develop demand factors to the study in each District. This
416 would result in five fold increase in cost for this one aspect of the study alone. In
417 addition, due to the topography and composition of the West Virginia districts
418 studied, several pump stations are operated which serve primarily residential
419 customers. These opportunities to isolate residential customers via pump
420 stations (or metering stations) exist in a very few areas of the IAWC systems.
421 Therefore considerable additional effort and cost would be required to identify,
422 isolate, and meter the appropriate residential customers in each IAWC district.
423 Thus, I conclude that there is no basis to compare the West Virginia study to the
424 type of direct measurement study that IAWC would need to provide in order to
425 develop demand factors for all its districts.

426 **Q29. What do you conclude regarding Mr. Lazare's recommendation to conduct**
427 **a direct measurement demand study?**

428 **A.** My previous testimony has not been changed by Mr. Lazare's testimony. It is my
429 contention that the direct measurement demand study for each district of IAWC
430 would be far more costly than the current study IAWC has completed for each

431 district. A direct measurement study would also pose operational concerns. I also
432 contend that because the direct measurement study would be more limited in
433 duration, the data from the direct measured study would be significantly
434 influenced by fluctuations in usage. The historically wet weather Illinois has
435 experienced over the past two years as well as the economic conditions of the
436 past year would mean the data collected under a direct measurement study may
437 not be representative of actual peak usage conditions. It is because of these
438 issues that the AWWA has developed and endorsed the methodology used by
439 IAWC for the current study, which the Commission approved in Docket 08-0463.

440 **Q30. Does this conclude your surrebuttal testimony?**

441 **A.** Yes, it does.