

Docket No. 00-0784 &
Docket No. 00-0785, Consol.
ICC Staff Exhibit 1.00

DIRECT TESTIMONY

ROY A. KING

WATER DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

CONSUMERS ILLINOIS WATER COMPANY

DOCKET NO. 00-0784

&

DOCKET NO. 00-0785

CONSOLIDATED

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Witness King
Date 3.28.01 Reporter CC

1 **Q. Please state your name and business address.**

2 A. My name is Roy A. King. My business address is 527 East Capitol Avenue,
3 Springfield, Illinois, 62701.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission (Commission) as an
7 Economic Analyst in the Water Department of the Financial Analysis Division
8 (FAD).

9
10 **Q. How long have you been employed by the Commission?**

11 A. Since August of 1979.

12
13 **Q. Will you please briefly state your qualifications?**

14 A. I graduated from Chicago Technical College in 1970 with a Bachelor of Science
15 degree in Architectural Engineering.

16
17 From 1970 to May 1979, I served with the U.S. Navy. My assignments included
18 those of Maintenance Supervisor, Instructor, Counselor for a Drug and Alcohol Pro-
19 gram, and managing a division of 30 men and its related equipment. Since August
20 1979, I have been continuously employed by the Commission. Until mid-1982, I was
21 assigned to the Public Utilities Division, Engineering Department, Gas and Electric
22 Section as a Utility Engineer. My duties were to assist the Chief Gas Engineer and
23 the Chief Engineer in the administration of all engineering matters associated with

1 the regulation of privately owned gas and electric utilities in the State of Illinois.
2 During this period, my duties included (1) evaluating rate filings and rules and regu-
3 lations filings, (2) assisting the Consumer Services Division, upon request, in han-
4 dling investigations and correspondence relating to electric and gas inquiries and
5 complaints, (3) evaluating testimony presented by the utilities and conducting cross-
6 examination, (4) testifying on behalf of Staff in applications for Certificates of Con-
7 venience and Necessity (Certificates), rate proceedings and other formal cases
8 which contain issues requiring review by the Engineering Department, and (5) proc-
9 essing other work as directed by the Chief Engineer.

10
11 In 1982, Staff functions were reorganized and I was assigned to the Water and
12 Sewer Section within the Engineering Department. My duties were very similar to
13 those previously described, except that I worked on matters associated with water
14 and sewer utilities.

15
16 In November of 1992, engineering and rate matters for water and sewer utilities
17 were transferred to the Office of Policy and Planning (OPP) and I was assigned to
18 OPP. My duties included (1) evaluating rate schedule filings, and rules and regula-
19 tions filings, (2) assisting the Consumer Services Division, upon request, in handling
20 inquiries and complaints, (3) evaluating testimony presented by the utilities and
21 conducting cross-examination, (4) testifying on behalf of Staff in applications for
22 Certificates, rate proceedings, and other formal cases which contain issues requir-
23 ing review by OPP, and (5) reviewing cost-of-service studies for the water and

1 sewer utilities when so assigned.

2
3 In 1997, Staff's functions were reorganized and I was assigned to the Rates
4 Department within FAD (formerly Public Utilities Division). In 2000, Staff's functions
5 were reorganized forming a Water Department and I was assigned to the Water
6 Department. My duties are the same as those previously described.

7
8 Since being employed by the Commission, I have received an Associates Degree
9 in Business Administration from Lincoln Land Community College, Springfield, Illi-
10 nois, and in 1985, I received a Bachelor of Arts Degree in Management from the
11 University of Illinois, Springfield (formerly Sangamon State University), Springfield,
12 Illinois.

13
14 In addition, I have attended a number of courses regarding utility regulation,
15 including several sponsored by the National Association of Regulatory Utility Com-
16 missioners (NARUC). I completed a one-week utility rate seminar co-sponsored by
17 the NARUC Water Committee and the University of Utah Center for Continuing
18 Education. I have also completed a course in Sewage Treatment Plant Operations
19 which was sponsored by the Environmental Training Resource Center at Southern
20 Illinois University and three courses in depreciation practices which were sponsored
21 by Depreciation Programs, Inc.

22

1 **Q. Are you a member of any professional organizations?**

2 A. Yes, I am a member of the Illinois Potable Water Operator's Association, Illinois
3 Section of the American Water Works Association and American Water Works As-
4 sociation.

5
6 **Q. What is the purpose of these proceedings?**

7 A. Consumers Illinois Water Company (Consumers, CIWC or Company) has peti-
8 tioned the Illinois Commerce Commission to purchase the assets of the Village of
9 Aroma Park (Aroma Park) and merge Aroma Park into CIWC's operations. Con-
10 sumers is also requesting under Section 8-406 of the Public Utilities Act (Act) a
11 Certificate of Public Convenience and Necessity (Certificate) to serve approxi-
12 mately 28,720 acres in the surrounding vicinity of Kankakee, which also includes
13 Aroma Park.

14
15 **Q. What is your assignment in this case?**

16 A. I am responsible for presenting testimony concerning the reasonableness of the
17 purchase of Aroma Park and if the purchase is in the best interest of the customers.
18 Also, I am presenting testimony concerning whether a need exists for granting a
19 Certificate for 28,720 acres.

20
21 **Q. Are you familiar with the testimony and exhibits presented by CIWC's**
22 **witness' Mr. Thomas Bunosky and Mr. John Guastella?**

1 A. Yes, I have personally reviewed the testimonies and exhibits presented by Mr.
2 Thomas J. Bunosky and Mr. John F. Guastella.

3

4 **Q. Please explain what the requirements are for the utility to receive a**
5 **Certificate to construct water facilities and/or to provide service to**
6 **an area?**

7 A. Section 8-406(b) of the Act, states in part:

8 "The Commission shall determine that proposed construction will
9 promote the public convenience and necessity only if the utility
10 demonstrates: (1) that the proposed construction is necessary to
11 provide adequate, reliable and efficient service to its customers
12 and is the least cost means of satisfying the service needs of its
13 customers; (2) that the utility is capable of efficiently managing
14 and supervising the construction process and has taken suffi-
15 cient action to ensure adequate and efficient construction and
16 supervision thereof; and (3) that the utility is capable of financing
17 the proposed construction without significant adverse financial
18 consequences for the utility or its customers."
19

20 **Q. Have you inspected Shell, Foxborough, Growth and Aroma Park**
21 **areas for which CIWC has requested a certificate to provide wa-**
22 **ter service?**

23 A. Yes, on February 6, 2001, I toured the general areas of Shell, Fox-
24 borough, Growth and Aroma Park, for which CIWC is seeking a
25 certificate.

26

27 **Q. Are you recommending that the Commission grant Consumer a**
28 **Certificate to serve approximately 28,720 acres in the vicinity**
29 **of Kankakee, Illinois?**

1 A. No. I am not. I am recommending that the proposed Growth area
2 requested by Consumers be modified by adjusting the western
3 boundary to exclude Sections 6, 7, 8, 18, 19, 30, and 31 in Town-
4 ship 31 North, Range 11 East of the Third Principal meridian.
5

6 **Q. Please explain why you are proposing to reduce the proposed service**
7 **area that CIWC has requested.**

8 A. Based on my inspection and my discussions with the Company person-
9 nel, the area is currently undeveloped and in my opinion a need for wa-
10 ter service does not exist at this time, as required by Section 8-406(b)(1)
11 of the Act.
12

13 **Q. Are you recommending that the Commission grant CIWC a Certifi-**
14 **cate to serve the remaining areas requested in their petition?**

15 A. Yes. I am. Based on my inspection, it appears that a need does exist in
16 the remaining areas for a Certificate.
17

18 **Q. In your opinion has Consumers demonstrated that the proposed**
19 **purchase would not diminish the Company's ability to provide ade-**
20 **quate, reliable, and efficient service to its customers in accordance**
21 **with Section 8-406(b)(1) of the Act?**

22 A. Yes. At page 10 of his direct testimony, Mr. Bunosky states " CIWC has
23 the technical, financial and managerial ability to operate and maintain a

1 public water supply and distribution system.” Further, on page 11, Mr.
2 Bunosky states “ The provision of a public water service in the Area will
3 impose no financial burden on either CIWC or its customers.” Based on
4 my review of the testimony and exhibits presented by the Company and
5 based on my prior knowledge of the Company’s operations, I have found
6 no reason to dispute Mr. Bunosky’s testimony in this regard.
7

8 **Q. Has the Company demonstrated that the proposed purchase of Aroma**
9 **Park is the least-cost method of providing water service to the cus-**
10 **tomers in the proposed area in accordance with Section 8-406(b)(1) of**
11 **the Act?**

12 A. Not necessarily. The Company provided no support for determin-
13 ing the least-cost method of providing water service to the custom-
14 ers, since CIWC is presently providing water wholesale to Aroma
15 Park. However, in my opinion, the most cost efficient method of
16 providing water service to the customers in Aroma Park is to re-
17 ceive service from a large utility. Consumers is a large utility and
18 has over 100 years of experience operating water systems. The
19 Company has on-staff engineers, managers, certified operators,
20 and would be able to maintain lower water rates by spreading the
21 cost of the office facilities, employees time, billing, and overheads
22 over a larger customer base.

1

2 Further, Consumers is owned by a strong national firm, Philadel-
3 phia Suburban Corporation, which suggests that resources for op-
4 erations and plant facilities are available if needed.

5

6 **Q. Has Consumers demonstrated that it is capable of financing needed**
7 **improvements and operationally able to provide service to the exist-**
8 **ing customers and the proposed areas?**

9 A. Yes, based on my review of Mr. Bunosky's direct testimony and
10 based on my knowledge of the Company's operations, Consumers
11 has demonstrated that its capable of financing needed improve-
12 ments in their water and sewer systems and that the systems are
13 well operated, managed and its equipment is well maintained.

14

15 **Q. Do existing customers of CIWC also benefit from this acquisition?**

16 A. Yes. Although Aroma Park's service area is small, the acquisition of this area will
17 provide CIWC additional opportunity for growth in Kankakee County. Through cus-
18 tomer growth, CIWC can achieve long-term cost savings from the realization of eco-
19 nomics of scale and operating efficiencies that result from the spreading of ex-
20 penses over a wider customer base, therefore, keeping water rates lower.

21

22 **Q. In your opinion, will the proposed acquisition of Aroma Park by CIWC result**
23 **in any adverse financial consequences on Aroma Park customers in accor-**

1 **dance to Section 8-406(b)(3) of the Act?**

2 **Q.** Based on Mr. Bunosky's testimony on page 12, CIWC will provide water service to
3 Aroma Park's existing service area under CIWC's current water rates, which were
4 approved by the Commission in Docket No. 00-0337. CIWC's rules, regulations
5 and conditions of service will also be imposed on Aroma Park customers. Since the
6 Company plans to operate under current rates and rules, it appears that there will be
7 a minor rate impact on customers being served within Aroma Park corporate limits.
8 A customer located within the corporate limits using approximately 7,000 gallons
9 per month would experience an increase in their bill from \$26.33 to \$26.91 or an in-
10 crease of \$0.58. However, the opposite occurs to a customers outside of the cor-
11 porate limits. In this instance, a customer living outside of Aroma Park's corporate
12 limits, using the same 7,000 gallons per month would see a decrease in their bill
13 from \$30.08 to 26.91 or a decrease of \$3.71. Approximately 60% of the customers
14 presently served by Aroma Park are located outside of the corporate limits. In my
15 opinion, the customers on the Aroma Park water distribution system will experience
16 little or no adverse rate impact due to the acquisition.

17
18 **Q.** I show you a document marked for identification as ICC Staff Exhibit 1.01,
19 and ask you to identify this document.

20 **A.** Schedule 1.01 set forth a comparison of rates charged by Aroma Park and CIWC.

21
22 **Q.** Have you reviewed Mr. Bunosky's testimony on Page 10 concerning CIWC
23 plans to improve the water facilities?

1 A. Yes, I have.

2

3 **Q. Based on your review of Mr. Bunosky's testimony, in your opinion would**
4 **the modifications to the water distribution system improve the water facili-**
5 **ties and increase the efficiency of the water operation.**

6 A. Yes, it would be. Under the Company's proposal, the additional improvements
7 would provide a benefit to the existing customers by increasing the water quality and
8 *increasing the flow capacity available for customers use and fire protection.*

9

10 **Q. Based on the review of the above areas do you oppose the acquisition of**
11 **Aroma Park by CIWC?**

12 A. No. based on my review of the above areas, I do not oppose the purchase of Aroma
13 Park's assets.

14

15 **Q. Does this conclude your Direct Testimony?**

16 A Yes, it does.

Docket No. 00-0784/00-0785 cons.

Exhibit 1.0

Schedule 1.01

Village of Aroma Park

Consumers Illinois Water Company

Gallons (X 1000)		Inside Corp. Limits		Outside Corp. Limits		Weighted Average		Rate Per 100 Cf	Rate Per 1,000 Gal	Monthly Customer Charge	Usage Charge Per 1,000 Gal	Public Fire Protection	Gross Revenue Tax	Total Monthly Water Bill	difference between Consumers & Inside	difference between Consumers & Weighted Avg.
		Rate Per 1,000 Gal	Total Mthly Bill	Rate Per 1,000 Gal	Total Mthly Bill	Rate Per 1,000 Gal	Total Mthly Bill									
1	1		\$14.45		\$16.00		\$15.38	\$1.750	\$2.340	\$10.50	\$2.34		\$0.01	\$12.85	-\$1.60	-\$2.53
2	2		\$14.45		\$16.00		\$15.38		\$2.340	\$10.50	\$4.68		\$0.02	\$15.20	\$0.75	-\$0.18
3	3		\$14.45		\$16.00		\$15.38		\$2.340	\$10.50	\$7.02		\$0.02	\$17.54	\$3.09	\$2.16
4	1	\$2.97	\$17.42	\$3.52	\$19.52	\$3.30	\$18.68		\$2.340	\$10.50	\$9.36		\$0.02	\$19.88	\$2.46	\$1.20
5	2	\$2.97	\$20.39	\$3.52	\$23.04	\$3.30	\$21.98		\$2.340	\$10.50	\$11.70		\$0.02	\$22.22	\$1.83	\$0.24
6	3	\$2.97	\$23.36	\$3.52	\$26.56	\$3.30	\$25.28		\$2.340	\$10.50	\$14.04		\$0.02	\$24.56	\$1.20	-\$0.72
7	4	\$2.97	\$26.33	\$3.52	\$30.08	\$3.30	\$28.58		\$2.340	\$10.50	\$16.38		\$0.02	\$26.90	\$0.58	-\$1.07
8	5	\$2.97	\$29.30	\$3.52	\$33.60	\$3.30	\$31.88		\$2.340	\$10.50	\$18.72		\$0.03	\$29.25	-\$0.05	-\$2.63
9	6	\$2.97	\$32.27	\$3.52	\$37.12	\$3.30	\$35.18		\$2.340	\$10.50	\$21.06		\$0.03	\$31.59	-\$0.68	-\$3.59
10	7	\$2.97	\$35.24	\$3.52	\$40.64	\$3.30	\$38.48		\$2.340	\$10.50	\$23.40		\$0.03	\$33.93	-\$1.31	-\$4.55
11	1	\$2.75	\$37.99	\$3.08	\$43.72	\$2.95	\$41.43		\$2.340	\$10.50	\$25.74		\$0.04	\$36.28	-\$1.71	-\$5.15
12	2	\$2.75	\$40.74	\$3.08	\$46.80	\$2.95	\$44.38		\$2.340	\$10.50	\$28.08		\$0.04	\$38.62	-\$2.12	-\$5.76
13	3	\$2.75	\$43.49	\$3.08	\$49.88	\$2.95	\$47.33		\$2.340	\$10.50	\$30.42		\$0.04	\$40.96	-\$2.53	-\$6.37
14	4	\$2.75	\$46.24	\$3.08	\$52.96	\$2.95	\$50.28		\$2.340	\$10.50	\$32.76		\$0.04	\$43.30	-\$2.94	-\$6.98
15	5	\$2.75	\$48.99	\$3.08	\$56.04	\$2.95	\$53.23		\$2.340	\$10.50	\$35.10		\$0.05	\$45.65	-\$3.34	-\$7.58
16	1	\$2.20	\$51.19	\$2.59	\$58.63	\$2.43	\$55.66		\$2.340	\$10.50	\$37.44		\$0.05	\$47.99	-\$3.20	-\$7.67
17	2	\$2.20	\$53.39	\$2.59	\$61.22	\$2.43	\$58.09		\$2.340	\$10.50	\$39.78		\$0.05	\$50.33	-\$3.06	-\$7.76
18	3	\$2.20	\$55.59	\$2.59	\$63.81	\$2.43	\$60.52		\$2.340	\$10.50	\$42.12		\$0.05	\$52.67	-\$2.92	-\$7.85
19	4	\$2.20	\$57.79	\$2.59	\$66.40	\$2.43	\$62.95		\$2.340	\$10.50	\$44.46		\$0.05	\$55.01	-\$2.78	-\$7.94
20	5	\$2.20	\$59.99	\$2.59	\$68.99	\$2.43	\$65.38		\$2.340	\$10.50	\$46.80		\$0.06	\$57.36	-\$2.63	-\$8.02
21	1	\$2.04	\$62.03	\$2.37	\$71.36	\$2.24	\$67.62		\$2.340	\$10.50	\$49.14		\$0.06	\$59.70	-\$2.33	-\$7.92
22	2	\$2.04	\$64.07	\$2.37	\$73.73	\$2.24	\$69.86		\$2.340	\$10.50	\$51.48		\$0.06	\$62.04	-\$2.03	-\$7.82
23	3	\$2.04	\$66.11	\$2.37	\$76.10	\$2.24	\$72.10	\$1.08	\$1.440	\$10.50	\$52.92		\$0.06	\$63.48	-\$2.63	-\$8.62
24	4	\$2.04	\$68.15	\$2.37	\$78.47	\$2.24	\$74.34		\$1.440	\$10.50	\$54.36		\$0.06	\$64.92	-\$3.23	-\$9.42
25	5	\$2.04	\$70.19	\$2.37	\$80.84	\$2.24	\$76.58		\$1.440	\$10.50	\$55.80		\$0.07	\$66.37	-\$3.82	-\$10.21
26	1	\$1.93	\$72.12	\$2.20	\$83.04	\$2.09	\$78.67		\$1.440	\$10.50	\$57.24		\$0.07	\$67.81	-\$4.31	-\$10.86
27	2	\$1.93	\$74.05	\$2.20	\$85.24	\$2.09	\$80.76		\$1.440	\$10.50	\$58.68		\$0.07	\$69.25	-\$4.80	-\$11.51
28	3	\$1.93	\$75.98	\$2.20	\$87.44	\$2.09	\$82.85		\$1.440	\$10.50	\$60.12		\$0.07	\$70.69	-\$5.29	-\$12.16
29	4	\$1.93	\$77.91	\$2.20	\$89.64	\$2.09	\$84.94		\$1.440	\$10.50	\$61.56		\$0.07	\$72.13	-\$5.78	-\$12.81
30	5	\$1.93	\$79.84	\$2.20	\$91.84	\$2.09	\$87.03		\$1.440	\$10.50	\$63.00		\$0.07	\$73.57	-\$6.27	-\$13.46
31	6	\$1.93	\$81.77	\$2.20	\$94.04	\$2.09	\$89.12		\$1.440	\$10.50	\$64.44		\$0.07	\$75.01	-\$6.76	-\$14.11
32	7	\$1.93	\$83.70	\$2.20	\$96.24	\$2.09	\$91.21		\$1.440	\$10.50	\$65.88		\$0.08	\$76.46	-\$7.24	-\$14.75
33	8	\$1.93	\$85.63	\$2.20	\$98.44	\$2.09	\$93.30		\$1.440	\$10.50	\$67.32		\$0.08	\$77.90	-\$7.73	-\$15.40
34	9	\$1.93	\$87.56	\$2.20	\$100.64	\$2.09	\$95.39		\$1.440	\$10.50	\$68.76		\$0.08	\$79.34	-\$8.22	-\$16.05
35	10	\$1.93	\$89.49	\$2.20	\$102.84	\$2.09	\$97.48		\$1.440	\$10.50	\$70.20		\$0.08	\$80.78	-\$8.71	-\$16.70

Typical Residential Customer